"FDI as a Mode of Foreign Entry" Adopted by Select Manufacturing Firms of India

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DECLARATION

I, **Richa Bhatia**, hereby declare that the work presented herein is a genuine work done originally carried out by me and has not been published or submitted elsewhere for the requirement of Degree Programme. Any literature, data or work done by others and cited within this dissertation has been given due acknowledgement and listed in the reference section.

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CERTIFICATE

This is certified that the project report entitled "**FDI as a Mode of Foreign Entry" Adopted by Select Manufacturing Firms of India carried out by Mrs. Richa Bhatia** D/O **Mr. Sanjeev Bhatia** has been accomplished under my guidance and supervision as registered Ph.D student of School of Business, Lovely Professional University, Phagwara. This report is being submitted by her in the partial fulfilment of the requirement for the award of Ph.D in Management from Lovely Professional University.

Her Dissertation represents her original work and is worthy of consideration for the award of the Degree of Ph.D (Management).

Dr.Mahesh Chandra Joshi **Dr. Sunil Budhiraja**

Title: "FDI as a Mode of Foreign Entry" Adopted by Select Manufacturing Firms of India

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ABSTRACT

In India, the foreign investments are done basically for the purpose of market seeking or the resource seeking. This thesis will specifically focus on the Indian companies that have involved themselves into foreign market by selecting different entry strategies**.** Firms may undertake a specific mode of entry for foreign investment which helps in reducing the corporate risks associated with changes in governments of the host country. The rapid increase in globalization of capital flows points at the world economy which is day by day getting interconnected. Foreign direct investment has a significant contribution in generating greater benefits to various host economies. FDI is a part of globalisation process that generally begins with exports. In this procedure, countries put efforts to tap the resources or the markets. Joint Ventures is a mode with low risk for manufacturing firms in India and vice-versa. Different firms select different path for entering into the different foreign markets depending on the various factors discussed in this study. This study firstly aims to review the impact of Firm, Industry and Location-specific competitive advantages owned by the parent firm on performance of its subsidiary overseas. Firms in different locations would select strategies differently, thus impacting their performance. There were various drivers of internationalization & globalization including domestic competition, expansion, technology urge, brand creation and government incentives etc. The study is expected to identify entry mode variable, which helps to analyse the business environment of the foreign country and thus help to choose the entry mode. Many firms avoid having the joint venture due to the presence of the complexity involved in decisions, execution and coordinating policies, with a different organization. There are observations about following the JV where companies having the ability to risk participate for entering into the new market still enter into Joint Venture. In India, there are certain government policies which prevent the foreign firms from having full ownership in selective industries. The findings of the study would

be helpful for the firms to decide the pathway for the decision making and to choose the strategy based on various factors discussed in the study and also the equations would be constructed on the basis of factors in the study to guide the future expansion decisions of the firms. This study makes use of official dataset from RBI on overseas FDI by Indian manufacturing firms using specific amount of equity and loan, which has not been used in previous studies on India's outflow of FDI. The study contributes to the empirical literature on outflow of FDI from India by evaluating industry, firm and location specific factors used for outward foreign investment by Indian manufacturing firms. We examine the presence of multiple motives, which is contrary to previous studies that just emphasized on the either resource seeking or market seeking motive. The top management executives of the Indian manufacturing firms of India with financial commitment as Joint Venture (JV) or Wholly Owned Subsidary (WOS) of greater than or equal to 5 million USD into the overseas market are the elements. Our population is of 432 firms which can defined by Indian firms in manufacturing sector who have JV or WOS in the year of July 2007 to December 2017. The relationship in between the dependent and the independent variables is established by using MLR (Multinomial Logistic Regression), as reviewed from the understanding of the literature review. The examination between the industry-specific, firm-specific and location-specific determinants and the various entry modes of FDI outflows of Indian manufacturing firms across different sectors are not studied previously. The structured and close-ended questions in nature have been used for collecting the data from the respondents. Secondary data is gathered through various sources such as published research journals, government reports (Reserve Bank of India) and personal interviews. Primary data is collected through email survey by mailing the questionnaire, using Linkedin and through in-depth interviews for the purpose of writing case studies. A rapidly growing economy exploits its ownership advantages in foreign markets for supportive sales and marketing networks abroad supplementing exports from India. Firms try to gradually

decrease the cost of transaction and the production through overseas manufacturing operations by utilizing ownership-specific advantages which can help them to compete globally in different countries. In India, the foreign investments are basically for the purpose of market seeking or for the resource seeking. The industry specific factors like mandatory investment and R&D intensity of the industry has positive and significant contribution to both JV and WOS entry modes. Market barrier has a positive and significant impact on the decision for opting JV. The firm specific factors like risk appetite, service quality, better knowledge of consumer taste, perceived ability to handle global expansion, investment in the advanced technology have positive and significant contribution. The product process strength, economies of scale, brand image, competitive prices, ability to adapt to different market areas and sound liquidity positions have negative but significant impact for the models studied. The awareness about changing competitive prices helps to create more value than the competitors by creating a profitable position in the market. Adapting itself to the foreign market requires to understand the differences in product usage in foreign markets, cultural and language differences. Firms global marketing channel and quality of the product have negative and insignificant impact on the choice of entry mode. The size of a firm is recognized as a significant source for strategic advantage. The location specific factors like cheap labour, size of the host country, adaption, infrastructure and inflation rate difference in the home and host country have positive and significant impact on choice of the entry mode. FDI inflows increases in those countries which have lower corruption. The free trade agreements, corruption in the host country, low political risk in the host country and interest rate uncertainty of the host country have positive impact on entry mode choice. To make an attractive policy for inflow of foreign direct investment and favourable investment climate, the national policymakers should have common goals.

By this study, the gap gets refined for a more systematic and sequential investigation and formulation for the research questions of the study. Thus this study is applicable to both the Indian firms who are willing to enter into the foreign market and also to those who have entered some foreign markets and want to diversify into different markets.

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ABBREVIATIONS TABLE

Abbreviations	Meaning
BOP	Balance of Payments
CCEA	Cabinet Committee on Economic Affairs
DIC	Dubai Internet City
DIPP	The Department of Industrial Policy & Promotion
DTAA	Double Taxation Avoidance Agreement
EEC	European Economic Community
EMEs	Emerging-Market Enterprises
FDI	Foreign direct investment
FEMA	The Foreign Exchange Management Act
FEMA	Foreign Exchange Management Act
FIRA	Foreign Investment Review Act
FIPB	The Foreign Investment Promotion Board
GCC	Gulf Cooperation Council
ICAD	Industrial City of Abu Dhabi's
ITA	The International Trade Administration
JV	Joint Venture
MIDA	Malaysian Investment Development Authority
MLR	Multinomial Logistic Regression
MNCs	Multinational companies
MPA	The Mauritius Ports Authority
NAFTA	North American Free Trade Agreement
OECD	Organisation for Economic Co-operation and Development
OFDI	Outward foreign direct investment
RBI	Reserve Bank of India
SPV	Special purpose vehicle
UAE	United Arab Emirates
UNCTAD	The United Nations Conference on Trade and Development
U.S.	United States
VCF	Venture Capital Funds
WOS	Wholly owned subsidiary

CHAPTER-1

INTRODUCTION

1. Introduction

International business is a major feature for the contemporary global economy. Foreign entry mode is related to international business and is very critical for the internationalization of firms. The Direct outward investment from India means those investments which are under Approval Route or Automatic Route, by subscription to the Memorandum or contribution to the capital or either by purchase of foreign entity shares either by stock exchange or by private placement or by market purchase, which signifies a long tenure interest for the foreign entity through Joint Venture (JV) or Wholly Owned Subsidiary (WOS) as defined by Reserve bank of India. Previously, only the developed host and home countries were the area of interest for the researchers (Hennart, 1991; Kogut and Singh, 1988; Gatignon and Anderson, 1988; Kim and Hwang, 1992) but now the exclusive area of interest has shifted to the various economies and the transition host economies. Emerging economies too have significance and have attracted the attention of the researchers (Brouthers and Brouthers, 2001; Tse, 1997; Chen and Hu, 2002). Selection of specific foreign mode and the performance implications specific to a certain pathway has been studied earlier (Woodcock et al., 1994; Root, 1987; Li, 1995). The importance of the study is its focus on various determinants which are considered while opting Foreign Direct Investment (FDI) mode for foreign entry adopted by different Indian manufacturing firms.

Moreover, till now majority of the studies relating to entry mode choice are only limited to the basic comparisons of performance amongst the various methods but some recognized limitations are there (Shaver, 1998; Brouthers, 2002; Chen and Hu, 2002; Brouthers et al., 1999) that considered only the endogenous mode of entry. In contrast to the gradual approach of internationalization, various firms have entered into the foreign location by FDI in the abroad (Konopa and Kwon, 1993). Foreign direct investment starts with exports and plays a major role in globalization. Countries put efforts for tapping the resources as well as the markets. They try to gradually decrease

the cost of transaction and the production through overseas manufacturing operations through location, ownership and internationalization advantages which supports them to fight competition globally in different countries. Export offers a lesser control degree in the host country for firms. Generally, the movement of firms from one growth stage to another is due to the knowledge gained with experience. Although it is thought that the different inhibitors of internationalization would influence the mode of entry yet there is a significance of every FDI mode which must be analysed separately. The study reviews the effect of firm, industry and location-specific competitive advantages owned by the parent firm on performance of its subsidiary overseas. Firms in different locations would select strategies differently, thus impacting their performance. Due to rise in inflows of the capital, specifically the latter half of 2000s, the reserve position of overall foreign exchange has removed the complication of the process for outbound investment and also the relaxation of the capital controls. The foreign investment of home country's domestic sector provides better network and partners globally, transfer of skills and also the technology with which the research work can be supported. In India, the foreign investments are done basically for the purpose of market seeking or the resource seeking, for example, many overseas investments from India took place in Australia, Indonesia and Africa for the motive of resource seeking.

FDI can be treated as the pathway for modernization, employment generation and economic development. It supports the international trade integration, enhances the enterprise development and improves the efficiency for use of resources (OECD, 2002). Since many years, FDI acted as a launching pad for making further improvements. Foreign direct investment has a major contribution towards the development of host countries, enhancing the competition as well as transfer of technology in the host country. In this study different foreign market entry strategies are analysed with the support of some determinants which impact the decisions of the organisation. It is a symbol of improving the competition level because many state-owned and private owned

enterprises are going for expansion in foreign through FDI. India is incurring overseas investments in Wholly Owned Subsidiaries (WOS) and Joint Ventures (JV) which are recognized as one of the significant methods for promoting the business in foreign locations.

1.1 Indian Economy Liberalization

Due to the liberalisation of the overseas policy of investment there is relaxation of the policy towards rules for capital account. There was seen larger attraction for overseas direct investment. The changes in the policy were introduced in 1992 with respect to growing needs of economy in view of liberalization. In the year 1992, the concept of 'automatic route' for FDI was announced. From the year 1995, framework of policy addressed single window clearance mechanism approvals of overseas investment by Reserve Bank of India. The policy focused on need for global developments. The main objective was to keep a check over the outflows, which should be w.r.t the balance of payment (BOP) necessities of different countries. In the year 1997, many initiatives were taken to encourage the industry of software in India for reduction of cost for investment in abroad. The Foreign Exchange Management Act (FEMA) was introduced with which the scope for outward FDI enhanced to a greater extent. In the year 2002, for automatic approval, the per year upper limit was raised to US$100 million.

In the year 2004, the policy of External Commercial Borrowing was changed and access to the foreign financial markets was step by step liberalized for corporate sector of India. Additionally, the permission to apply for Special Purpose Vehicles (SPV) within various foreign capital markets for financing and supporting their international acquisitions was given. Many Indian information technology firms like WIPRO, Tata Consultancy Services (TCS) as well as Infosys acquired international contracts. Additionally, many sectors contributed to the outward FDI from India were of oil & gas field, crude petroleum and mining.

1.2 The Framework for Outward Foreign Direct Investment (OFDI)

1.2.1 OFDI under automated route and approval route

Foreign Investment can be done by using automatic route, in which prior approval from the RBI or Government is not required in all sectors as detailed by Regulation 16 of FEMA 20 (R). The Indian party is allowed to invest up to a specific amount of its net worth in accordance with last audited balanced sheet. Under the approval route or government route, the Indian party should obtain approval from the Indian government. Those proposals which are under approval route are considered by either Cabinet Committee on Securities or Foreign Investment Promotion Board (FIPB) or the Cabinet Committee on Economic Affairs (CCEA). The FIPB investments are up to Rs 5000 crores for the approval. Limit above this is approved by CCEA.

1.3 Analysis of Indian Outflow of FDI

Many policy changes have led to foreign investment by Indian enterprises. Since 1992, liberalization in trade, relaxation of policies governing inward foreign direct investment, industrial deregulation, has improved the performance of Indian industry. Moreover, many companies have been exposed to the competition which enhanced the confidence to fight with the foreign competitors in world market. India, on a whole, has also got growth in economy, acquisitions of resources, strategic assets abroad and the ease of access to financial resources. First major investment in foreign was in 1959 by the Birla Group of Companies. Not only this, but, the operations of Indian companies also started at places with historical linkages like West and East Africa, Middle East, etc. The level of O-Foreign direct investment has risen since 1999-2000. India was also among those developing economies where enterprises were becoming transnational in nature. Many (PSUs) known as Public Sector Units like GAIL, NALCO, ONGC, NTPC had overseas green-field investments.

Foreign direct investment investments can be made by a variety of methods like inter-company debt, equity capital which helps to access unexplored markets. Foreign direct

investment has now become one of the most stable and important flows of international capital. The rapid increase in globalization of capital flow points at the world economy which is day by day getting interconnected. Foreign direct investment has a significant contribution in generating greater benefits to the various host economies in comparison to filling only the short-term capital deficiency problems. Reports of United Nations Conference on Trade and Development (UNCTAD), (2008) reveals that foreign direct investment inflows show potential for increasing productivity, creating employment, transfer technology and skills to make development and growth of developing countries in the long term. Table 1.1 below shows the international investment position comparing the asset and liabilities of 2017-2018, released in the October 2018 by RBI.

Table 1.1 International Investment Position (Million USD)

Item	2017-2018	
	Assests	Liabilities
Direct Investment Abroad	157373	379279
Equity Capital and Reinvested Earning	103734	363190
Portfolio investment	2665	272409
Equity	1246	155106
Debt	1418	117303
Trade Credit	1696	103155
Loan	8225	159289
Currency	20790	126456
Reserves	424545	-

Source- www.rbi.org.in (2017-2018)

1.4 Support for funding for Overseas Foreign Direct Investment (OFDI)

The funding for global investments can be done by swapping Indian entity shares with overseas entity or capitalization of foreign currency etc. For supporting the overseas Indian business, RBI limits were hiked for various credit as well as non-credit facilities which are given by banks for Indian joint ventures as well as for wholly owned subsidiaries. Banks also ensure that JV/WOS is not having any restriction for obtaining currency loan.Whereas, Exim Bank helps to support the FDI for fulfilling financial criteria of Indian JV and WOS like capital required for acquisition of foreign business. The Export Credit Guarantee Corporation of India Limited (ECGC) has a significant contribution to support the overseas investment in case of any failure due to changes in regulatory or the economic environment.

1.5 Policy of India for OFDI

The policy for Wholly Owned Subsidiaries (WOSs) and Indian Joint Ventures (JVs) passed through different phases since 1978. Before 1978, (JV) was permitted but the policy regime governing foreign direct investment was yet to be shaped. In the year 1978, specific guidelines for JVs and WOS were passed which were obeyed till 1992. The second phase for OFDI policy covers the period after the year 1992. The Indian outward direct investment policy during 1978 had two main objectives: the first for promoting OFDI for south-south cooperation and second for enhancing the economic gains. The policy framework of the year 1978 permited the registered Indian companies for foreign investment. This policy which is underlined in the south-south cooperation, states that the equity contribution by the Indian party will be according to the rules and regulations of the foreign country (Ranganathan, 1988). The circulars by RBI during the period of December 2002, as well as in March 2003, reduced the stringency in the OFDI policy.

1.6 Major relaxations in the limits for OFDI policy since 2004

In the period from 2004-2007, Reserve Bank of India (RBI) enhanced the monetary limit for investment abroad. In January 2004, RBI allowed to invest

upto 100 percent of their net worth in wholly owned subsidiary (WOS)/ joint venture (JV). In 2007, the cap increased from 200 to 400 percent. Under automatic route, the permission was given to the Indian party for disinvestment without prior approval of RBI. In April 2007, the Indian Venture Capital Funds (VCFs) were permitted for investing in equity and its linked instruments subjected to overall limit of US$ 500 million. In June 2008, the Indian party was allowed to invest in excess of 400 percent of their networth (as shown on last audited balance sheet) in the natural resources and the energy sector. In August 2008, the Registered Trust and Societies into manufacturing sectors were permitted to invest in similar sector by JV/WOS abroad with prior approval of RBI. In May 2011, Indian party having 51 percent share in international joint venture was allowed to start off joint venture or wholly owned subsidiary.

1.7 **Pattern changes in Indian Outward-Foreign Direct Investment Policy**

In the year 2005, Indian companies were permitted to use Special Purpose Vehicle (SPV) in the foreign markets for supporting acquisitions. Since that time, SPVs are set up in Mauritius, Singapore as well as in Netherlands to access to financial resources and to get the benefit in taxation. The outward investment in 2000 and 2014 had seen a shift in its geographical locations. During the First Wave, United States (US) and United Kingdom (UK) were attractive destinations for India's outward investment but during the Second Wave, their approvals for foreign investment decreased during the period 2000 to 2014. On the other side, Europe had 32 per cent OFDI from India in the year 2000-14. During the time period of 2000-14, 54 per cent of India's approved outward direct investment was in Europe (Pradhan, 2017). Since 2014-2015 to 2017 various destinations like Netherlands, Singapore, USA, Mauritius, UAE had maximum investment from India. In 2013-14, level of foreign direct investment abroad from India was recorded as USD 13.4 billion. But it decreased to USD 6.8 billion in 2014-15. During 2016-2017, the outflow of investment was measured to be USD 14.8 billion. During this

period, an increase in the level of financial commitment was observed, because of hike in non-fund mode of financing outward investment from India, due to 'guarantees issued' by parent firms within India for their overseas affiliates (Rajan and Yanamandra, 2015).

1.8 Choice of ownership patterns for entry into Host Country

Indian foreign direct investment during 1980−99 was directed towards services activities in hotel, software and financial services in the developed regions (Pradhan, 2008). The services activities require lesser capital, unlike operations in manufacturing. In the service industry including financial services, services related to software require close relationships with clients, which increases the preference for WOS as a preferred mode of overseas expansion rather than JVs. In contrast, joint ventures is a mode with low risk for manufacturing firms in India for firms which are entering the developing regions, as there is a mutual contribution of investments as well as resources with local partners. The equity ownership pattern of Indian investments has changed over time. As compared to 1980−99, the contribution of WOSs in Indian investments was enhanced upto 80.5 per cent during the year 2000−14, while the share of joint venture declined to less than 20 per cent. The relative significance of WOS relative to JV has been changing for different host countries (UNCTAD, 2017).

1.9 The Manufacturing Sector

The increase in OFDI of Indian manufacturing firms has been a significant part of the Indian economy. Chemical products manufacturing accounted for 51.7 per cent, during 1980s. It is followed by 9 per cent share each for food products, refined petroleum products and beverages and 8 per cent share for paper products. These industries having 78 per cent share altogether, have ruled Indian manufacturing outward flows during 1980s. During 2010−14 the pattern of Indian manufacturing constituted 20.9 per cent fabricated metal and basic metals products; 20.7 per cent of refined petroleum products; 20.7 per cent

pharmaceuticals, botanical products. The Indian manufacturing foreign investments are driven by technology-oriented industries.The joint share of technology-intensive industries including transport equipment, electronic products; pharmaceuticals; electrical equipment motor vehicles and botanical products increased from 10.9 per cent to 31.8 per cent during the time period from 1980−89 to 2010−14. A rapidly growing economy exploits its ownership advantages in foreign markets for supportive sales and marketing networks abroad supplementing exports from India.

1.10 Issues in OFDI

- **Impact of OFDI on Current Account Deficit (CAD)**

The liberalization for outward FDI from India has generated the need for closely monitoring the cash outflows overseas. We require more of capital account to keep the specific limit of foreign exchange reserves at acceptable level. Therefore, excess of cash flows for outward foreign direct investment can impact overseas debt and CAD.

- **Impact on domestic investments**

It is the matter of concern that the foreign investment should not leave domestic investment behind it .The growth in employment needs to be reviwed for the the domestic companies. In the foreign business environment, it becomes permissible to lay emphasis on policies linked to proctection and outsourcing. So, the Indian firms need to balance the foreign investments with home country business expansion in overseas markets.

- **Impact of contingent liabilities**

In the recent years, it is observed that the guarantees which are issued by various Indian firms for JV/WOS abroad have been increasing gradually. In case of uncertainty in the

macro economic factors in the environment, the issuance of guarantees will play a significant role for banks as well as the concerned Indian companies.

Table 1.2- FDI Outflow (as % of Gross Fixed Capital Formation)

Year	India	Developing Economies	World
2007	1.2	3.7	7.3
2008	4.8	5.8	11.2
2009	4.2	6.3	15.5
2010	5.5	5.3	11.2
2011	3.7	4.3	7.9
2012	3.0	5.3	9.1
2013	2.0	4.7	9.3
2014	1.5	4.4	7.3
2015	0.3	4.3	7.1
2016	1.7	5.2	7.2

Source- World Investment Report, 2016, United Nations Conference on Trade and Development

From table 1.2, it can be observed that, the foreign investment outflow as Percentage of Gross Fixed Capital Formation, for the entire world, developing economies as well as India has declined significantly during the second half the period studied, after witnessing a steady growth in the first half of the period studied.

CHAPTER-2

REVIEW OF LITERATURE

2. REVIEW OF LITERATURE

The literature presented in study is regarding the selection for the foreign mode of entry by the manufacturing firms of India. There are numerous scientific as well as theoretical articles focusing on the determinants which affect the FDI investments, as well as have impact on FDI inflows on the host country's economy. This increase in outward investment by Indian firms for is being driven by various external and internal factors. Due to economic reforms during 1990s, (which includes FDI and Trade policy reforms) the rise of OFDI (outward foreign direct investment) occurred from India. Due to policy liberalization in technology, investment as well as in trade the world transactions became economically interdependent. Due to removal of hurdles in the policy, large opportunities are associated with cross-border expansion.

2.1 **Factors providing momentum to Outward Foreign Investments**

According to UNCTAD World Investment Report 2011, the outflow of foreign direct investmentwas recorded as US$ 3.1 trillion in 2010 from developing economies. It was USD 857 billion 10 years ago. FDI is a pathway for globalization, which generally starts with exports. A significant increase in the outward direct investment is observed in India in recent years. Growth in Indian economy is observed by of higher level of FDI inflows and rising level of FDI outflows. The overseas investment is for transferring technology, better research, access to foreign networks and markets. It can be considered as a corporate strategy for accessing the raw material available in the host country and enhancing the brand image. Therefore, it can be said that investments have been driven either by motive for technology seeking, resource seeking or market seeking motives. A study constituting two hypotheses, one focusing on the attitude of the firms towards uncertainty avoidance, tested the statement that acquisition seems to be less attractive due to organizational risk associated with this mode. It is focusing on the significance of the cultural differences in two countries. This study proved its hypothesis by using the logit model. The data of 228 entries into U.S market focused upon entry modes like acquisition, joint venture (JV), wholly owned subsidiaries (WOS). And it was examined

that there is the relationship between national culture and selection of entry mode. The study undertakes various firm, industry and country level variables as the independent variables and the various entry modes (JV, WOS) as the dependent variable is acquisition (Kogut and Singh, 1988). Two approaches were used in a study on multinationals to explain their criteria of selection of ownership pattern for opening their subsidiaries where first approach states that multinational enterprises select those ownership methods which reduce their transaction cost of doing the business. The second approach states that patterns are chosen by doing bargaining with the host country government and the final decision depends upon the bargaining power of the firm. This study has used statistical methods to study their effects empirically. The study concluded that attractiveness of the home country markets increased the relative bargaining power of the host country government **(**Gomes Casseres, 1990). A study on comparative business failures of foreign-owned or controlled firms and domestically owned firms in U.S was conducted on eighty-five foreign controlled non-financial firms in the period of 1978-1988. They were involuntarily liquidated or they filled bankruptcy during that period. The results indicated that foreign-owned firms in U.S had lower failure rate than the domestic firms. The reasons indicated were foreign firms have selective ownership advantages with the help of which they can compete (Li and Guisinger, 1991).

The independent variables like joint venture characteristics, business scope, location characteristics and the dependent variables like percentage ownership were examined in a study on U.S firms which investigates the choice of entry mode by taking into consideration ownership (International experience, size and capability for making differentiated products), location (investment risk, market potential) and internalization factors (Shan,1991). The firms which have less foreign experience prefer to go for joint venture for supplementing their resource needs. The firms which have differentiated products are worried about the loss of their strategic advantage in another countries. These firms dislike opting for the export mode but prefer to avail investment mode. A sole venture or a joint venture is not preferred if the risk in investment is high, even if it is a high potential market. The results provide broad support effects of the relationship

between the variables (Agarwal, and Ramaswami, 1992). Empirical analysis for Global strategic variables, transaction specific and the environmental factors were examined against the three entry mode of Wholly owned Subsidiaries, Joint Venture and Licensing for analyzing the entry mode decision on ninenty six foeign entries. It analyses the strategic relationship of the multinationals across the border (Kim and Hwang 1992). Cultural differences influence the preference of foreign entry mode and the perception of transaction cost. Another focus of the study dictated that managers in less power distant localities will favour FDI than licensing. The paper takes into consideration the Survey of operations of U. S based manufacturing firms. The power distance index as a variable is taken fromn Hofstede (1980) (Shane, 1994). The economic determinants model for 36 least developed countries (LDCs) was studied for important variables which influence FDI i.e cost, volatility and per capita debt. The huge market size and more inflow of public aid attract foreign direct investment while excessive wage cost, economic instability and poor investment climate in the host countries may reduce the inflow of FDI (Shamsuddin, 1994).

(Kwon and Hu, 1995) proved the evidence based on 801 U.S manufacturers about differences between the foreign production-oriented companies and export-oriented companies with regard to their foreign market entry strategy. The nationality of the multinational has impact on choice of the ownership decisions. Their choice for decision making can be explained in terms of cultural as well as economic variables. (Erramilli, 1996) conducted a study on the sample of 337 subsidiaries which included European and US advertising agencies located in the market economies of Europe. The determinants for the entry in the United States either through partially or wholly owned subsidiaries were examined for two different countries, Japan and Finland had different cultural characteristics and huge cultural distance to the U.S. (Hennart and Larimo, 1998) used different firm level and industry-level factors for the investigation which concluded that

investor and the target countries political risk influences the ownership of subsidiaries.

The effects of experiences, transactional and institutional constructs influences the Japanese investors ownership strategies and suggested that there should be decrease in the share of investment of a foreign investor when there is requirnment of assets for foreign entry. The previous international experience and the strong environment of institution itself leads to rise of share of investment for the foreign investor. The analysis of 1000 Japanese investments in different countries of East and South-East Asia discussed that institutional factors and experience influences the control in the foreign investment, whereas the transactional factors are least affecting the ownership decisions (Delios and Beamish, 1999). The framework on construct of cultural distance complements the institutional distance and signifies the impact of cultural, firm level factors and institutional distance that offers the results that for comprehensive assessment of environment for deciding the entry mode of foreign investment. National character also influences the investment decisions (Hennart and Larimo, 1998; Kostova and Zaheer, 1999). The impact of major changes in the policy towards the foreign direct investment is examined over the period 1950-1995 concluded that the agreements like FTA/NAFTA have increased the levels of inward and outward FDI, but Foreign Investment Review Act (FIRA) had no significant impact on FDI. The independent variables of the study included Canadian and foreign GDPs and comparative costs (Globerman and Shapiro, 1999).

The study in the host country of Catalan on manufacturing MNEs highlighted various factors which influence the choice between WOS and JV. The finding of the study was that if a firm has knowledge, tacit assets, has a considerable experience and is technologically intensive would prefer to opt WOS, and if it has to operate in economically/politically uncertain country it will choose JV. This paper includes

references to empirical analysis of Dunning's Eclectic Paradigm (Dunning, 1977, 1993; Makino and Neupert, 2000). Distinctive contingent relationships specified that, service firms are more sensitive to materials risk perception and macro-economic risks than service related industries. The greater political risk, market risk or governmental risk risks lead to opt for JV as well as WOS by the manufacturing firms as well as service firms; (Brouthers and Werner, 2002). Five factors were considered as a basis to study the choice between between joint ventures and non-equity alliances, these five factors were location characteristics, firm size, cultural distance, activities of the value-chain and industrial sector. Both RBV (Resource Based View) and TC (Transaction-Cost) theories highlight different factors.

The institutional features and characteristics of host country influence mode choice. The variables like international experience, intangible intensity were included for understanding the relationship (Chen and Hennart, 2002). The entry-mode choice in the foreign country is based on transaction-cost theory (TC theory) transaction-cost theory which focused mainly on the impacts of firm specific determinants, industry specific determinants and country specific determinants. It used a sample of 364 Japanese overseas subsidiary and concluded that the multinational firms tend to conform to the the normative pressure of the local people, regulatory setting of the host country. The connect between the transaction cost and the institutional perspective was analysed (Yiu and Makino, 2002). For those firms which are wishing to enter into business with culturally distant countries with a lower risk are suggested to opt WOS and the firms should opt for JV, if they wish to grow their business into different host countries which are culturally distant (Erramilli, Agarwal and Dev, 2002).

The dynamics of the global competition and economy patterns are demanding expansion into emerging economies. For analysis, the data was collected from China which investigated that the JV is preferred when the intervention by the

government is high, the uncertainty in the environment is high and the experience of the host country is less. The entry mode of WOS is opted when intellectual property rights(IPR) is not properly protected, the requirement for global integration is more, the competitor number is growing fast. The determinants like control, risk, return, organizational capability, bargaining power and transaction cost are considered for the analysis (Yadong Luo, 2002). Cognitive elements with normative elements were studied to note the effect the legitimacy of equity arrangements. This helps to link the institutional distance and decision making for choosing the process of FDI, resources, structure and the strategy (Xu and Shenkar, 2002).

Transaction cost model of ownership and the framework of Dunning's eclectic theory was conducted on 651 foreign affiliates for examining the choice between WOS and JV. Various determinants like location, age, industry concentration and capital size were considered for the study. The ownership choice of affiliates in Turkey provides the adequate level of information by analysing different determination and the entry choice associated with it, for example, if entry is into culturally distant region, the mode of choice is JV, if the firm is undergoing unrelated diversification, the mode of choice is JV. In a nutshell, it can be said that country-specific factors affect the foreign ownership choice in the host country when going for FDI (Tatoglu, Glaister and Erdal, 2003). Three different country specific strategies were examined for decision regarding new venture formation in the East and Central Europe. The variables including market seeking, resource seeking and the client seeking tend to impact the strategy of the investment. The results of the study highlight the major influence is of market seeking strategies and resource seeking strategies, where as very minor impact is seen of client seeking variable on entry strategies (Gil, Nakos and Brouthers, 2006). Firms opt for non equity rather than equity mode as they enter the countries with higher pervasiveness of corruption. Corrupt government imposes restrictions which are informal to foreign ownership. The interest of

multinational enterprises (MNE's) reduces because corruption creates substantial cost for the foreign investors. The sample of 400 telecommunications projects was analysed in 96 emerging countries for analysing dependent variables like joint venture, wholly owned subsidiary and turnkey projects (Uhlenbruck, Rodriguez,Doh and Eden,2006).

International business experience had a significant effect on both price and product adaptation which is consistent with previous studies (Cavusgil et al., 1993; Cavusgil and Zou, 1994). As Korean exporters accumulate international experience, they customize their price and product strategy to the local market conditions. The effect of international experience on distribution and promotion adaptation, however, was not confirmed. One plausible explanation for the latter is the intense globalization in the industries in the sample which might result in a greater convergence of distribution processes and promotion strategies worldwide. As expected, the product type had a significant effect on all elements of the marketing mix adaptation of Korean exporters.The findings are consistent with older studies (Cavusgil et al., 1993; Grosse and Zinn, 1990; Johnson and Arunthanes, 1995; Seifort and Ford, 1989).

Technology intensiveness have a significant positive impact on adaptating the product but in the opposite direction of hypothesized relationship. It is quite plausible that with increased flexibility of production processes, Korean exporters are able to customize high technology products to the unique demands of diverse international markets without significant increase in unit costs vis-à-vis standardized products. Technology intensity didnot show any impact on the degree of distribution adaptation and price adaptation. With increased globalization of the supply chain and retailing, Korean exporters may not need to adapt their distribution strategies to reach the diverse export destinations in this study. Korean firms use skimming price strategy worldwide in the early stages of product introduction. Once the high-technology innovation becomes an international commodity, they lower the price which prevents others from entering the market. This is one of the

key pricing strategies that enable Korean firms to remain competitive and maintain leadership in the global high-tech semi-conductor industry.

Technology intensiveness had no impact on degree of promotion adaptation either. It is quite possible that global market convergence of high-technology products may lead to standardized promotion strategies among Korean exporters. Competitive intensity had a significant effect on the adaptation for pricing and promotion tactics among Korean exporters (Cavusgil et al., 1993; Chung, 2002, 2003). With respect to promotion adaptation, the findings confirm the view that successful exporting firms are more likely to adapt their promotion strategy to meet local consumer needs (Cavusgil et al., 1993). With regard to pricing, it appears that Korean exporters rely on price adaptation as a result of intense competition in export markets.

A possible explanation is that Korean exporters use a discount pricing strategy to win over its rivals in export markets. The level of competition had no significant effect on the degree of distribution adaptation even though the sign of coefficient beta was consistent with the initially proposed relationship. Competitive intensity did not have any significant effect on product adaptation and the sign of the coefficient beta was consistent with the hypotheses. Therefore, it seems that in the presence of competition, Korean exporters adapt their pricing and promotion strategy rather than their product strategy (Park, 2007). Foreign investors ownership strategies were examined in Mongolia based evidence from 1033 foreign investors having different level of foreign ownership showed the influence of nationality and normative distance on ownership choice of entry mode. The determinants like concentration of FDI, location and intensity of resource availability had significant impact on choice between JV and WOS (Kaynak, Demirbag and Tatoglu, 2007).

The transaction costs (TC) model helped to evaluate the financial performance measures as compared to non-financial performance firms by taking 222 foreign

manufacturing firms of South Korea. The important determinant that affected the performance was market share in the host country (Kim and Gray, 2008). By using institutional theory, many factors were identified due to which firms convert their JV into WOS. TC theory can be used for determining the choice of entry while a new market is entered. The focus of the study was on the foreign firms including Europe, US and Japan, the response rate was 9.9% by the firms as only 94 responses were recorded (Puck, Holtbrugge and Mohr, 2009). The entry mode choices of Taiwanese electronic components firms into the markets of China were analysed. The data of the year 2003 to 2005 was considered for examining the OLI advantages which influence the choice between WOS and JV of Taiwanese Electronic Components firms. More the international experience, scale economies, less government regulation and cheap cost of production increase the probability of choosing WOS (Lee, Huang and Chan, 2009). Favourable local and international economic context, the availability of cheap labour in the EPZ, proper infrastructures, willingness of the private investors to invest, are sufficient for attracting FDI and growing revenue for the economy. But there was no impact of financial sector development and openness on growth in the context of Mauritius (Blin and Ouattara, 2009).

Foreign direct investment in the Malaysian furniture industry was conducted from the year 1986 till 2005 on the basis of survey. The comparison of the results was done with characteristics of FDI in Vietnam. But Malaysia was better in terms of exchange rate, political stability, infrastructure, industrial relation, whereas the lower cost for production and suitable policy are the strengths of Vietnam to attract inward FDI (Ratnasingam and Ioras, 2009).

Five propositions including dynamic learning, institutional facilitation, national industrial factor endowments, value creation and reconfiguration of value chain by integrating the Dunning OLI theory with comparative advantage theory, the data of 1526 cross border M&A was utilized. The study can be utilized by managers to design better

internationalization strategies. The framework of the study based on above five propositions helps to differentiate M&A between the Indian MNE's and the Chinese MNE's (Sun, Peng, Ren and Yan, 2012). The countries NAFTA (North American Free Trade Agreement) and EEC (European Economic Community) tend to lure more of Australian FDI. But on the contrary, the countries with more knowledge capital may not attract Australian inflow of investment. The strong institutional environment protects private property. Coefficient for openness (OP) had a positive impact which signifies that open economies attract more Australian FDI (Sharma and Bandara, 2010). Major determinants of FDI in Nigeria were examined using regression method and Ordinary Least Squares (OLS) for year 1970-2008. The determinants like depreciation, rate of exchange, openness to trade in the economy, the infrastructural development and privatization have significant impact on FDI in Nigeria. The results concluded that host country's market had a significant negative influence on foreign investment, while inflation had insignificant but positive influence on foreign investment. The study suggested that government should further open up the economy to attract more foreign investment, government should invest more in development of infrastructure roads, telecommunication so as to reduce the cost of doing business. Moreover increase of production incentives as well as subsidies can encourage foreign investment (Nurudeen, Wafure and Auta, 2011).

Using Resource Based View model, main factors were identified which influenced the choice of entry mode for Medium and Small sized enterprise. Data of 221 managers was used to concluded that entry mode choice is influenced by organizational culture. Some previous researches also confirm this relationship. Similarly, International business experience did not impact the entry mode choice decisions by SMEs, as confirmed by (Nakos and Brothers, 2002) in their research. No strong connection was found between industrial district and level of control. The decision of choosing high commitment entry mode is due to decision making process where more significance is given to firm's internal variable (Musso and Francioni, 2012). Vietnam has uncertainty in their

economic conditions and Joint venture is less preferred which signals that foreign firms show reluctance to the Vietnamese market, inspite of good potential customer base and growth rate. The low commitment entry mode is preferred even after 20-years transition to capitalism. Another determinant focused is high level of corruption, due to which MNCs prefer low equity modes like JV, exports and contracting. Even if there is cultural proximity, corruption, MNCs preferred to opt Wholly-Owned Subsidiaries. MNCs opt for WOS for protecting their firm-specific assets. MNCs tend to opt for high equity modes, when the host country has good market capabilities, more liberalized and constitutes greater reforms and in more risky economy non-equity modes like licensing exports and franchising is preferred (Teixeira and Grande, 2012). In the period 1990-2008, a sample of 36 developing economies was collected to observe the significance of trade openness for attracting (FDI) inflows. The results from panel regression analysis concluded that positively contributes to the inflow of direct investment in developing economies. With trade openness some other variables like GDP per capita, political risk, nominal GDP and exchange rate stability were also considered in the study (Liargovas and Skandalis, 2012).

The study of variables like trade openness, exchange rate volatility and inflation took place from 1980-2010 for Pakistan. The results concluded that foreign direct investment is positively correlated with depreciation in rupee and exchange volatility. If trade openness is higher it increases the inflow of FDI. Data for this study was taken from World Bank's data source World Development. Various techniques like Cointegration and Vector Error Correction Mechanism Granger Causality Test is used to analyse the data (Ullah, Haider and Azim, 2012). Effects of fiscal incentives on Nigeria were examined by creating two of fiscal incentives which constituted different types of incentives since the 1970s. The results showed negative effect of fiscal incentives on private investment as well as FDI in Nigeria. So, the conclusion was made that the country should focus on correcting deficiencies like poor institutions

framework, infrastructural bottlenecks rather than on fiscal incentives (Fowowe, 2013).

A Tripod model was suggested considering 3 parameters of industry (rivalry among the competitors, bargaining power of buyer, threat of substitute), institutional environment (trade barriers, financial incentives) and resources (organization culture, innovation and networking). The Brazilian multinational, WEG, was investigated by using eclectic theory "Strategy Tripod". The research showed strong evidence that there is an influence of institutional environment and intensity of competition on mode choice. The study concluded that industries with more competition intensity seek full control by opting WOS (Polesello, Amal and Hoeltgebaum, 2013). The differences in language, geographic distance, religion, political systems, culture, economic development and education affecting the FDI decisions of Chinese firms into 174 different host countries was examined by taking the time period from 2003 to 2009. The study on Chinese outward FDI gave the evidence that psychic distance and its stimuli impacted the entry decisions (Blomkvist and Drogendijk, 2013). The foreign direct investment of 48 countries for the period from 2003 to 2010 was examined using institutional and Resource Based View (RBV) theory. Using multiple regression, a relation between China's location choice, institutional distance, ODI motivations and political risk was established. If the motive of foreign investment was resource- seeking, Chinese MNEs choose to invest in those countries which have more political risk and less institutional distance. If foreign investment was for strategic asset-seeking, Chinese MNEs donot opt for countries having greater political risk and very less institutional distance. Similarly, for market-seeking motive of foreign investment, MNE's of China avoid FDI ino countries with very high political risk and less institutional distance (Han, Chu and Li, 2014).

The empirical literature on the various macro determinants and correlations with different determinations was reviewed. In a direct survey of Top management

(CEO/senior executives) from February to May, 2012 data was examined using Generalized Estimating Equation (GEE) for testing hypotheses which shows the firm-specific determinants and location-specific determinants had significant impact on taking decision for FDI (Park, Rho and Yo, 2014). Foreign direct investments are influenced by variety of determinants. This research analysed different determinants like firm, institution and industry specific determinants. The study makes use of resource- and institution-based view and cost economics theories and used the sample of 405 FDIs during 1982–2012 constituting Danish, Swedish and Norwegian firms. The results signified that R&D intensity and international experience is having positive correlation with joint ventutre. The growth of the Industry terms of the number of firms is not correlated to FDI mode of entry, whereas it is positively correlated with survival of the subsidiary. WOS and acquisitions increase the survival possibility of the subsidiary (Wang, 2014). The relationship between factors affecting foreign investment and various entry modes was studied for Polish MNCs in the year 2003-2010. Findings indicated that Polish firm FDI are market seeking in nature. The expansion into countries which have lower per capita GDP and wages identifies the motive of efficiency-seeking during initial stages of internationalization.

The observation that manufacturing companies opt greenfield FDI in countries where developed industries exist shows the significance motive of strategic asset seeking (Kowalewski and Radło, 2014). Various models including eclectic paradigm, Uppsala model, institutional approaches and transaction cost analysis were reviewed which shows that political environment had largely been ignored in FDI studies. The study indicates that political environment is highly significant in taking entry mode decisions. Firms are able to evaluate the current position of policy making, political relations between transnational countries and the host country. The micro level analysis of political environment signifies the industry and firm level analysis. On industry level, firms can learn about which interest groups or the political factors may have impact on their business and which

associations can complement their work (Maria, Tazeeb, Thomas, 2014). The study investigated the determinants of FDI by making the use of Bayesian Model Averaging covariates. The results gave the evidence of parsimonious FDI specification which comprises of parent-country per capita GDP cultural distance factors.

The role of various factors which influence a company's FDI decision were analysed. The results analyses that size of the company and profitability are the major determinants in both. It is evident from the study that the ROA (Return on Assets) is 31.36% higher for firms which participated in an FDI (Yuce and Zelaya, 2014). As Italian small, micro and medium-sized enterprises (SMEs) expand with internationalization processes and use JVs and WOSs as the mode of entry. For testing the choice between JV and WOS, the study integrated three different perspectives for institutional based theory, transaction cost and resource-based theory (RBV). The research activity was directed to measure the extent by which firm and context specific factors impact the choice for mode of entry of selected firms. (Andersen and Gatignon, 1986) grouped the modes of entry in terms of the amount of control over the activities of a foreign business entity and studied their significance. From the perspective of the transaction cost theory (TCA) and RBV, it was reviewd that firms tend to adopt equity modes (WOS and JV) for sharing the risk with the partner and overcome the difficulties related to tacit knowledge. Furthermore, many companies choose equity modes i.e JVs in emerging economies to gain complementary resources and context knowledge they lack and manage high country risk and market dynamism (Erramilli and D'Souza, 1995; Matarazzo and Resciniti, 2014). The empirical evidence is collected from German domestic and multinational firms. The firms with financial factors like high amount of leverage, high costs, do not expand in foreign markets. The count model was used to study financial constraints on firms for expansion (Buch, Kesternich, Lipponer and Schnitzer, 2014). The World Bank used econometric models on FDI data, since 1993 -2012 and focused on country risk. The Euromoney Country Risk ratings had impact on the investment decision and also had correlation with the future. It also

captures the impact of different macroeconomic variables, which generate the specific European distribution of FDI (Savoiu, and Ţaicu, 2014).

Two moderating factors including firm's legislative connections and governments as owners of firms were studied by examining subsidiaries which are listed in the 2010 annual reports of Chinese firms. The firms having greater government ownership have high risk-taking ability are availing greater benefit from government incentive schemes and preferential policies. Firms which have better legislative connections are able to raise capital and can easily seek a potential partner (Pan et.al., 2014). Modes of FDI selected by Polish companies were studied by including location choices, firm characteristics and previous entry modes. The conclusion from seven different propositions on the basis of former listed factors is serving as a guideline for future Polish outward foreign direct investments. The study aimed at contributing to the on-going discussion on the specific character of FDI undertaken by firms from developing and transition economies, otherwise referred to as emerging economies. Foreign expansion by firms from the emerging CEE region has been somewhat under-researched as compared to studies devoted to other emerging markets (Chang et al. 2012; Morschett et al., 2010). Some studies emphasize that emerging market companies that point to the search for deficient resources abroad in order to strengthen their international competitiveness (Mathews, 2006; Steensma et al., 2008; Zubkovskaya and Michailova, 2014), particularly if expansion occurs to more developed economies (Makino et al., 2002). According to the analysis, these refer particularly to entrepreneurial and managerial skills, and the ability to develop and leverage business networks abroad. Clearly, such OFDI behaviour of the studied firms is both asset exploiting and asset-augmenting, which is in line with some of the earlier studies of OFDI from emerging markets (Cui, 2010). This seems to provide support to one of the theoretical perspectives discussed earlier in this thesis, as advanced among others by (Rugman, 2009), that this initial weakness in ownership advantages among emerging market firms and their desire to strengthen these advantages through

international expansion does not contradict other FDI theories (Gorynia, Nowak, Trąpczyński and Wolniak, 2015).

The impact of foreign market entry strategies was examined for 108 manufacturing firms in Nairobi. Various entry mode including WOS, JV, licensing, export and strategic alliances and different factors like intensity of competition, availability of resources, size of the host country and host country requirements which affect the entry mode were analysed. Regression analysis suggested that manufacturing firms may opt greater than one market entry strategy to enter foreign markets (Arasa and Gideon, 2015). Risk perceptions of the top managers in the decision of internationalization were examined. The random utility theory enables us to know the preferences related to entry mode and choice of the target locations. Geographic factors, political distances, cultural factors, help us to explain country preferences. The results suggest that distance dimension is the primary driver for assessing the risk in the target country. One twenty six German-speaking top managers were taken as a sample for the study (Kraus, Ambos, Eggers, Cesinger, 2015). The samples from United States (host country) and China which is the source country, shows that acquisitions is the dominant choice of entry for strategic asset seeking, Greenfield investments had showed more indications of being motivated by other factors rather than strategic asset seeking. Organizations opting for Greenfield investment strategies decide to take aspects of their corporate culture, tacit and explicit knowledge and physical property to a host economy during their investment. (Anderson and Sutherland, 2015).

The determinants of investment inflows into a foreign country were studied using multiple regressions which were represented by OLS for examining the relationships between inward direct investment and the choosen explanatory variables to determine inflow of foreign investment into Bahrain. Time-series analysis from 1980-2013 was used with variables like interest rate, economic stability, consumption expenditure, inflation rate. They showed statistically significant relationships for investment inflows

into Bahrain. Export potential represented by GDP growth, and exchange rates, were found to have positive but statistically insignificant relationships with investment inflows. But, infrastructure was statistically insignificant and had negative relationship with FDI inflows (Gharaibeh, 2015).

The interactive relation between distance factors, network relationships and market attractiveness gave the evidence that network relationships are important for small and new ventures, to capture the resources. Geographical distance, cultural and psychic distances significantly contribute in the decision making for entry mode choice (Ojala, 2015). Factors which influence FDI in African countries, the analysis of the results is done using the Least Squares Dummy Variable model which indicates that financial as well as political risk had insignificant and negative impact on FDI in Africa. Higher is the economic risk greater is the negative impact on FDI in Africa but a significant and a positive relationship is analysed between FDI in Africa and commodity price index performance. Similarly, the openness to trade also has positive effect on inflow of FDI. The annual data of the year 1984 -2010 of 35 African countries is considered for the panel study (Kariuki, 2015). Dynamic panel data analysis was used to examine various determinants of FDI for 88 countries during the year 1985–2011. The analysis shows that the social security spending, rate of urbanization, the population ratio for age above 65 and spending on the health shows a negative impact on FDI, while the other variables including market size, per capita GDP, unemployment rate, control of corruption, GDP growth, inflation rate and market capitalization have positive impact on FDI inflows.

Similarly, other variables like openness, imports of energy to the host country had shown positive and negative impacts respectively on foreign investment inflows (Erdogan and Unver, 2015). The sample of 68 developing countries was analysed to examine how Latin America and the Caribbean is different from non Latin America regions**.** For example, the stock of infrastructure attracts foreign inflows in Latin America and the Caribbean and high debt discourages FDI inflows. Furthermore, the investments in infrastructure

like roads, ports, and power grid are significant in attracting FDI in the countries (Williams, 2015).

The major determinants in Ethiopian economy were identified as GDP growth rate, adult literacy rate, real interest rates, capital formation, inflation rate, and official exchange rate. The positive coefficient of consumption of electricity per capita, labour force growth rate and adult literacy rate, gross capital formation shows that they are essential determinants to attract more FDI. Also, in the positive results indicate export orientation coefficient determines the growth plans (Bekana, 2016). The use of Random effects on panel data for 16 years from the year 1996 to 2012 was used to study determinants of FDI in Indo-china. The study focuses on factors like trade openness, inflation and market size, corruption political stability, government effectiveness etc. The study concluded that rule of law, political stability, effectiveness of the government and size of the market significantly impact the inward FDI (Hoa and Lin, 2016).

Study of outflow of foreign investment (OFDI) from BRIC countries (Brazil, Russia, India and China) considered industrial structure, geographical structure as well as econometric testing. The study concluded that Brazilian and Indian MNCs are supported from various linkages with foreign investors into their domestic market. But Chinese MNCs develop asset-seeking strategy and Russian MNCs focus on asset-seeking and also on R&D intensive units (Andreff, 2016). The relationship between tax burden and foreign direct investments (FDI) inflows is done which demonstrates that tax burden and FDI inflows is inversely proportional to each other, but is not applicable universally. This study recommended the relationships between tax burden and taxation components, for FDI inflows in specific countries and economic regions (Kiburi, Mirie, Okiro and Ruigu, 2017).

2.2 Industry Specific Factors

Industry specific factors affect decision making of Indian manufacturing firmsfor choosing the mode of entry. In this study the Industry specific determinants are as follows -:

2.2.1 Mandatory investment level

From the analysis of industry-based view, every industry's competitive pressure results in different levels towards globalization, which impacts the strategies utilized by the various industries (Yamakawa, Peng and Deeds, 2008). The host government can alleviate its informational constraints and create ownership restrictions to opt for joint venture (Karabay, 2010). Since the competitive position of the firm can be improved by having shared commitments, the joint venture can reduce the financial pressures. Firms prefer joint venture mode to full ownership if there transaction cost is more (Gulati, 1995). Low mode of control leads to higher cost in comparison to integration of the skills and assets. High external uncertainty leads to enforcement of contracts (Anderson and Weitz, 1986). MNEs which establish wholly owned industries have to bear the whole cost of establishment. This leads to high resource commitment and may negatively impact its other activities. Moreover, the risk of failure is more. The literature suggests that investors choose joint venture to wholly owned subsidiaries, when the required investment is relatively large.

2.2.2 Market barrier

Japanese investors may face market barriers for entering into U.S. industries which are in different sector. They can opt for joint ventures with certain local firms for essential industry knowledge (Hennart, 1991). Previous research

suggests that with decrease in level of industry concentration, foreign investors more preferably opt for JV (Kim and Hwang, 1992; Hennart and Park, 1994; Bell, 1996). (Koch,2001) state that market barriers such as distribution access, legal, tariff barriers, level of country development and governmental regulations can impact company's entry mode choice. If Industry concentration is low, lower ownership equity mode is preferred as flexibility is required by the foreign entrant to interact with volatile market conditions (Kim and Hwang 1992; Bell, 1996; Zhen, 2006).

2.2.3 Easy access to the natural resources

(Dunning, 1988) proposed that foreign investments are made with the purpose of resource seeking. (Gomes, 1989; Hennart, 1991) stated that for resource-intensive U.S. based industries, the Japanese investors can form joint ventures for controlling access to natural resources. The resource seeking motive of foreign investment requires the availability of natural resources in host countries (Nunnenkamp, 2002; Kudiana, A. and Jakubiak, M., 2008). According to (Kekic, 2005), natural recourse is one factor which is attracting foreign direct investment. The significant contribution of natural resources was examined in attracting FDI. (Poelhekke and Vander, 2010) concluded that resource reserves and the oil price allow the selection of the location for the investment by the various industries.

2.2.4 Degree of internationalization

Internationalization theory describes the different stages of the firms. Initially, firms don't have regular exports then at second stage firms exports through agents followed by selling through intermediaries or export houses, and then firms invest for overseas manufacturing (Johanson and Vahlne, 1977). (Bartlett, and Ghoshal,1989) examined that a firm's degree of internationalization should be measured by looking at the

presence of their initial stage of internationalization at developing countries rather than just considering the ratio of foreign sales to total sales which is considered while examining the developed countries. Different other studies on internationalization theory focus on distribution and transferability of business (Anand and Delios, 1997; Gronhaug and Kvitastein, 1993). (Olson, Slater and Hult, 2005) examined that when the challenges are related to transfer of capabilities, various entry modes with lower levels of equity are used (DeSarbo, Di Benedetto, Jedidi and Song, 2006). A hierarchical model for entry mode choices tested the predictions for companies expanding in the countries of Caribbean as well as Latin America in the time period of 1980 to 2005. Prospectors generally prefer those modes of entry which have higher levels of ownership to achieve cross-functional integration of international operations which is more effectively achieved with WOS. The study by (Wooster, Blanco and Sawyer, 2016) highlighted that prior investment experience facilitates the firms to make choices for equity commitment.

2.2.5 R&D intensity of the industry

A sample of 420 Japanese manufacturing MNCs was tested and examined that firms enter R&D-intensive industries by opting joint venture or acquisitions for gaining advantage of overseas capabilities (Belderbos, 2003). The study with a sample of 522 Turkish MNCs was used to analyse the equity based entry mode and examined that MNCs opted joint venture rather than establishing WOS with increase in R&D intensity of the industry (Demirbag, Tatoglu and Glaister, 2009).

2.2.6 Competition intensity of the industry

If the competition is absent there will be no requirement to continuously perform and adapt well in foreign markets. In a study on U.S exporters, it was examined that adaptation of the promotion strategy was correlated to the exent of the level of

competition at various locations. Cavusgil and (Zou, 1994) also investigated that degree of advertising strategy and adaptation of product positively impact the competition level amongst U.S exporters. When the competition intensity is more in a foreign market firms will opt that entry modes which has low resource commitments (Harrigan, 1985). (Buckley and Casson, 1998) examined that strength of competition as well a market structure in the market significantly impacts the entry mode choice.

2.3 Firm Specific Factors

A firm takes the decision for entry mode choice based on risks and beneficial returns. Greater the amount of investment more is the rate of risk and return. But, WOS will give high degree of control and more risk but JV involves in low investment cost and less control to the partner firms (Agarwal and Ramaswami, 1992).

2.3.1 Increase appetite to take risk

Various risk-reducing considerations pushes the firms to choose higher control modes, which allows firms to place the assets in a manner which is less profitable to the host government in (Eaton, Gersovitz and Herring, 1983). But when contractual risks are low, the firm shares its know-how (Rugman, 1981). The entry mode choice is influenced by firm experience, capability to develop contractual risk and differentiated product (Agarwal and Ramaswami, 1992). The risks like costs of production, risk in service quality, risk of knowledge dissipation, if operated jointly operated therefore Japanese firms use WOS (Sohn, 1994). (Padmanabhan and Cho, 1996) argue that R&D intensive firm may prefer WOS to have full ownership control. When the host country has good reforms and is extremely liberalized, firms tend to choose low non-equity modes, but in more risky economy non-equity modes like licensing, exports and franchising are preferred (Teixeira and Grande, 2012). For those firms which are wishing to enter into business with culturally distant countries with a lower risk

are suggested to opt WOS and the firms should opt for JV, for investing in a culturally distant countries having more risk to the company (Erramilli, Agarwal and Dev, 2002). The empirical study on firms which are not much experienced prefer joint venture for sharing the risks, complementary assets and the costs and vice versa. Risk appetite is dependent upon the strategic options of company, its competitiveness as well as the financial situationof the company (Koch, 2001).

2.3.2 Production process strength

The firms which have strengths like proper knowledge, economies of scale, wide access to distribution channels and networks, knowledge about local market environment for business have a competitive edge over other firms (Dunning and Rugman, 1985; Kim and Hwang, 1992). Expanding abroad helps to maintain or improve performance based on ideas and experience from foreign businesses (Peng and Luo, 2000). The firm-specific ownership advantages like production process capabilities expertise in managing cost and expertise in managing large complex markets are considered as significant determinant for location choices and investment in Ethiopia (Seyoum and Lin, 2015). The empirical study gave the evidence that the acquisition of the firms abroad helped to improve our product performance and upgrading the technology capabilities (Zheng, Wei, Zhang and Yang, 2016).

2.3.3 Firm service quality

Good quality of customer service helps in sustaining customer base and keeping them satsfied. Customer orientation is an important factor contributing to the performance of the firm (Narver and Slater, 1990). To enhance tacit knowledge, a high level of skilled managers and financial resources are needed from the foreign markets (Bello and Gilliland, 1997). The firms which have a competitive edge over others in generating good service quality will use entry modes having greater control for keeping up the

satisfaction of the customer (Contractor and Kundu, 1998). The international trade integration enhances the enterprise development and improves the efficiency for use of resources (The Organisation for Economic Co-operation and Development, 2002).

2.3.4 Economies of scale

Economies of scale as suggested by (Brainard and Vision, 1997) influences the R&D intensity, strategic operation of firms. Less is R&D intensity of domestic firms more is expected in terms of managerial marketing and financial operations of foreign firms over the domestic players by purchasing more and more equity shares. This leads to greater chance of foreign market operation rather than domestic market. A study on determinants of FDI in Malaysia suggests that due to increased size of the domestic market there is more attraction for more FDI inflows as firms gain benefits of the economies of scale by using time period between 1960–2005(Ang, 2008). The determinants for inflow of FDI in European regions, examined that firms chooses those regions, where they have advantages on economies of scale (Castellani, Meliciani and Mirra, 2016).

2.3.5 Firms brand image and trade mark

The risk of intellectual property right infringement leads to preference for transfer modes like Wholly Owned Susidiary to prevent leakage of information (Caves, 1971; Dunning, 1979; Horstmann and Markusen, 1987). The value of a brand means the present value of the premium which is given by various consumers for different branded product as compared to any unbranded product sold in the market (Farquhar, 1989). One of the objectives of consideration is the degree to which the intellectual property rights(IPR) is protected in the foreign country. Another study examined the acquisition by Chinese firm each of which was having significant international presence. The translation of international brand names gives a framework for expansion into China. It examines different

approaches utilized by the brands like brand meaning extension and dual extension for the firms investing abroad (Alon, Littrell and Chan, 2009). The motive was to build image and sustain their global position in the Chinese market (Ge, Stringer and Ding, 2017).

2.3.6 Firms global marketing channels

The choice of channel integration helps to differentiate between success as well as failure in a foreign market. For deciding the channel integration and strategy, a firm may choose to either increase or decrease its ownership and control over the distribution channel (Klein, Frazier and Roth, 1990). The distribution channels management for international market involves different methods to transfer the products and services from supplier to the customer (Bradley, 1995). The distribution channel involved the interdependent organizations which are involved in making of the service or product available for use. Global Value Chain (GVC) is considered as a key determinant which impacts the strategies of international firms with various sizes (Stern, 1996). As foreign trade is an opportunity to increase their sales, some companies actually participate in a GVC for supporting its distribution as well as post-sales activities for gaining more added value (Schlegelmilch, 2016). The understanding of country-of-origin impact over behaviour of the overseas distributor was analysed, which evaluated the attitude for various foreign brands, social perception towards origin of brands and their impact on distributors' intention to place foreign brand in international marketing channels (Moon, B.J. and Oh, H.M., 2017).

2.3.7 Changing competitive prices

The goal of joint venture is to enhance the performance, profitability and its market growth. International joint venture would help to create more value than the competitors by creating a profitable position in the market (Boateng and

Glaister, 2003; Choi and Beamish, 2004). Price is the amount which customers are ready to pay. Price affects both income generation and buying behaviour of consumers. The pricing of product should be done carefully in accordance with the competitors, legislation and government (Wilson and Hollensen, 2010) examined that the goal of pricing should be to reduce the costs of product for ease of purchase by the customers. (Seifertand, 1989) found that U.S used standardized price, product as well as distribution strategy. The resources and capabilities for creating the international joint would depend on the strategic goals of the international joint venture.

2.3.8 Better knowledge of consumer taste

The mail survey of medium-sized manufacturing firms examined that whether U.S. exporters believed in product adaptation for consumer goods (Johnson and Arunthanes, 1995). U.S. used standardized price, product as well as distribution strategy (Seifert, B. and Ford, J., 1989). The positive relationship between degree of product adaptation and consumer product for the New Zealand firms (Chung and Beamish, 2005). The strategies of major Portuguese company revealed about the decision criteria for choosing either standardization or adaptation, by considering two parameters of responsiveness in the host country and the sustainability for food industry (Morais, 2016).

2.3.9 Ability to adapt itself to different markets

For adapting itself to the foreign markets, there is a requirement to understand the differences in product usage in foreign markets, cultural and language differences. It also needs to adapt products for meeting the preference of foreign customer (O'Cass and Julian, 2003). Structural equation modelling was used to classify the reasons of multinational companies to study their choice towards adaptation/ standardisation by placing them on a linear continuum and by studying their overall attitude towards adaptation as well as standardization

(Vrontis, Thrassou and Lamprianou, 2009). The strategies which are adopted by Indian and Chinese firms for their cross-border investments and acquisitions were analysed using quantitative data of 168 cross-border acquisitions conducted and highlighted whether to incorporate standardization of their own global marketing strategies or to use adaption as a marketing strategy (Rao-Nicholson and Khan, 2017). Other evidence was given on how foreign knowledge is adjusted for business strategies and based on local knowledge for business strategies are used for OFDI (Gersch, 2018).

2.3.10 Perceived ability to handle global expansion

The entry mode choice is influenced by experience in the international markets, capability to make a differentiated product as well as the contractual risk (Agarwal and Ramaswami, 1992). The firms which are not much experienced prefer joint venture for sharing the risks, complementary assets and the costs. The firms with previous experience of international activities can be benefited from the associated experience and its networks (Gaba, Pan and Ungson, 2002). The behavioural decision theory having the experimental data, suggested that domestic experience satisfaction of the managers increases if loss is legally protectable, but reduces their risk propensity for accepting the noncontrollable risk like political instability (Buckley, Chen, Clegg and Voss, 2018).

2.3.11 Firms R&D strategy

Marketing-oriented firms are less tolerant to the dilution of control and generally prefer wholly owned subsidiary over the joint venture because they possess required marketing skills (Stopford and Wells, 1972). So, firms with know-how of the market readily choose full ownership structure. Japanese investors having greater research and development capabilities face low technological barriers in U.S. and opt for joint

venture to upgrading technology from local firms (Kogut and Chang, 1991). Offshoring supports various firms to increase their R&D performance and improve their cost-leveraging strategy with increased exploration. The evidence supports our thesis that firms with R&D activities choose WOS (Lampert and Kim, 2018). The panel data analysis of Chinese emerging-market enterprises (EMEs) showed that OFDI had a positive impact on innovation performance of Chinese EMEs' subsidiaries which help the EMEs to globalize R&D and improve their performance in innovation (Piperopoulos, Wu and Wang, 2018).

2.3.12 Sound liquidity position

The joint venture is to overcome the failing of the markets for the services, to cope up with the limited resources (Hennart, 1988). The entry choice for 292 entries and supports the hypothesis that specificity encourages collaboration which is significant to avoid any resource constraint (Ingham and Thompson, 1994). Generally the smaller firms internationalize rapidly (Knight and Cavusgil, 2004). Firms succeed in internationalizing rapidly by using ways such as Strategic Alliances, Joint Ventures (JVs) (Crick and Spence, 2005).

2.3.13 Intensive investment in advanced technology

(Cavusgil and Zou, 1994) suggested that due to the complexity, technology-intensive products needs better distribution channels with a technical know-how. Moreover, WOS can provide protection for their proprietary technology from rivals (Anderson and Gatignon, 1991). The restrictions on foreign ownership may have an impact on the quality of technology transferred, so foreign firm will be liable to form a joint venture (Lee and Shy, 1992). For the motive of risk-reduction firms having competitive edge in the technology may choose higher control

modes (Eaton and Gersovitz 1983). One of the significant reasons of origin of FDI is rise in technology-driven FDI which is from emerging countries for enhancing their technological capabilities through greenfield investments, mergers and acquisitions. Emerging Economy Multinational Enterprises (EMNEs) mainly direct themselves into high-income countries which are specialized technological hubs. This agglomeration plays an important role in attracting investments (Amighini and Franco, 2013). When the objective is technological seeking rather than establishing a broad customer base or brand name, Chinese and Indian MNEs(Multinational Enterprises) prefer less control over the acquired companies (Piscitello, Rabellotti and Scalera, 2016).

2.3.14 Quality of company product

Firms having greater ability for manufacturing heterogenous products are more likely choose wholly owned subsidiary in markets with higher investment risk (Agarwal and Ramaswami, 1992). The need for protecting the quality of production, leads to opt a mode having high control (Dunning, 1993). The analysis of a survey of Taiwan's outward FDI activity shows that outward foreign direct investment had a positive effect on the quality of investing firms. It is an effective method for improving the quality of domestic production (Weng, Yang and Tu, 2010). The collaborations which exist amongst the different groups of individuals support to enhance the quality and richness of exchange of information and can also help to improve organizational capital (Lin, McDonough, Yang and Wang, 2017). The motivations for developing and implementing enhanced offerings like the quality, the product range by delivering differentiation (Bustinza, Gomes, Vendrell-Herrero and Baines, 2019).

2.3.15 Large firm size in terms of total sales or total no of employees

Few smaller New Zealand firms did not prefer equity modes while larger firms prefered equity modes, as the firms with sufficient resources are in better position than the smaller firms. The size of a firm can give strategic advantage for investment abroad (Tan, Erramilli and Liang, 2001). The study between firm size and low control entry mode was examined by (Agarwal and Ramaswami, 1992; Brouthers et al., 1996; Nakos and Brouthers, 2002). Big firms are ready to take the risk for OFDI projects in unfamiliar locations, because of their large resource base (Pan, 2003). The study on CEE countries showed the significant contribution of location, market size and firm size as important determinants for Romania (Hilber and Voicu, 2010; Raluca and Alecsandru, 2012).

2.3.16 Expertise in managing large and complex markets

Firms which enter new host-country market have less market knowledge, which leads to acquisition and leads to high transaction costs (Hennart, 1988). (Padmanabhan and Cho, 1999) examines that the firm's previous experiences frame a layout for the firm's future plans. However, when foreign firms gain local knowledge and experience their dependence decrease on the local partners and wants full ownership control over the new subsidiaries (Gatignon and Anderson, 1988). Firms which are priorly into some international activities are benefited from their learning and experience (Gaba, Pan and Ungson, 2002). (Henisz and Macher, 2004) examined that previous investments in one foreign location has a significant impact on investments in the other foreign locations. The firm-specific ownership advantages like production process, capabilities expertise in managing cost and expertise in managing large complex markets are considered as significant determinant for location choices and investment in Ethopia (Seyoum and Lin, 2015)

2.4 Location Specific Determinants

By making use of country risk rating (Mhlanga et al., 2010) concluded that countries with higher risk attract more foreign direct investment. The samples were taken from Angola, which is a country with higher rate of risk but still it attracts a huge amount of foreign direct investment, because of availability of natural resources like oil and natural gas. Firms enhance their competitiveness by expanding into certain locations having natural resources at a lower cost than the domestic country (Dunning and Lundan, 2008). (Deichmann et al., 2003) suggested that natural resources are necessary for foreign direct investment whereas (Bellak and Leibrecht, 2009) concluded that countries which have lower tax rate attract more foreign direct investment.

2.4.1 Cheap and competitive semi/unskilled labour

The quality of laborforce also influences the investment decisions, as productive, educated, skilled labour can be a key locational advantage for various host countries (Schneider and Frey, 1985). Labor cost is very significant factor, although it is not primary. Foreign investors whose manufacturing was labour intensive looked for competitive advantage of having the cheaper labor (Andresosso and Wei, 2003). While (Zhang, 2000) examined about the labour cost factor which hardly influences the US firms decision to invest within China because it is more market-orientated. Another study by (Blanton and Blanton, 2007; Moran, 2011; Schneider and Frey, 1985; Spar, 1999) concluded that some EU and U.S. firms in manufacturing believed cheap labour cost is significant.

2.4.2 Size of host country market

Foreign direct investment is a preferable mode of entry when investing in a large market (Horstmann and Markusen, 1992). The size of the host country is a significant

determinant for attraction to investment in foreign locations (Agarwal and Ramaswami, 1992; Kwon and Konopa, 1993; Root, 1994). The foreign investors are attracted by huge size of market, which helps to internalize the profits after selling and maintain low production cost through economies of scale (Li and Resnick, 2003). The market size was an important predictor of whether a country will have inflow of FDI. The findings of the study used the time period from period 1980-2010, via simple OLS regression technique and gave the evidence that in Malaysia, market size is positively correlated to foreign direct investment (Globerman and Shapiro, 2003; Nasir, 2016;). The effect of natural resources, control of corruption, political stability as well as market size was analysed by using regression analysis on over the data of 22 countries from the time period between 2008-2014 and concluded that maket size had a major impact on the FDI flows whereas control of corruption was not significant but political stability was having significant but negative effect (Shan, Lin, Li and Zeng, 2018).

2.4.3 Culture in the host region influences company's foreign commitment

More is the cultural compatibility amongst the home and foreign markets, greater is the probability of opting standardization of marketing mix in the host country. When cultural distance is huge, firms opt wholly owned subsidiaries over joint ventures as cooperation expectations are less (Chen and Wu, 2005). More the level of cultural distance, greater is the preference for WOS over acquisitions (Drogendijk and Slangen, 2006). The review of 265 selected articles between the time period from 2000 to 2012 investigated the impact of national culture in global expansion and focused on studying the impact of the home and host national culture (Drogendijk and Slangen, 2006; López-Duarte, Vidal-Suárez and González-Díaz, 2016). The study on selected 28 countries used the data from 2006–2014. It gave the

evidence that, cultural distance has a very strong influence on the decision for location choice of Chinese FDI (Zhang and Xu, 2017).

2.4.4 High logistic cost of exports from home country

(Erramilli and Rao, 1993) concluded that high switching costs because of high overhead may decrease the firm's ability to take operation to different location.(Taylor, Zou and Osland, 1998) examined the entry strategies of Japanese and USA firms on transaction cost perspective on foreign and concluded that cost of transaction affects the US firms decision making for mode of foreign entry but did not have any impact on the mode of entry for Japanese firms. A theoretical model explained that high institutional distance decreases the likelihood of the firm to invest firm in a foreign country and states that developed economies rather than developing economies adapt more easily for high institutional distance across the countries for OFDI (Choi, Lee and Shoham, 2016). The empirical evidence from another study shows that national transportation systems moderate the effects of country distance for foreign trade and its performance (Halaszovich and Kinra, 2018). The transaction cost view and Resource-Based View (RBV) were used for analysing the ownership strategies, by using the technique of regression analysis and concluded that the transaction cost advantage impacts the international ownership strategy (Lo, 2015).

2.4.5 Adaptation to local taste and resources

(Boddewyn, 1986) examined that products should be adapted to a large extent for matching the actual demands and tastes of local consumers (Dunning, 1993) examined that a firm may need to adapt itself in accordance with specific market requirements Its product should meet the local tastes. It can be achieved by

making market presence by foreign investment in host country. Another study provides insight that different approaches can be used by different manufacturing firms for expansion into international markets. This study successfully differentiates the choice between adaption and standardization of the marketing mix of the firms (Gilani and Razeghi,2010). The study on German automobile manufacturer's highlightes its internationalization process into India, gave the evidence that firms adapt their business models to better fit needs of different international markets (Landau, Karna and Sailer, 2016). The study on 133 German SMEs, analysed the choice of non-equity entry modes integrated with more foreign investment experience and adaptation improve OFDI performance (Hollender, Zapkau and Schwens, 2017). Other evidence is given by study which examines how foreign knowledge is adjusted for business strategies and based on local knowledge 'hybrid' business strategies are used for OFDI (Gersch, 2018).

2.4.6 Access to third country market (capitalising upon preferential /free trade agreement)

Modifications in transportation systems as well as communication, have eliminated the influence on trade intensity of geographic distance between countries. The role of trade openness, import tariffs, physical infrastructure and macroeconomic stability on FDI inflows was positive (Treviño and Mixon, 2004). Different empirical studies by (Berthelon and Freund, 2008; Gripsrud and Benito, 2005) confirmed that geographic location is a barrier for FDI. As geographic distance increases, the risk increases because of asymmetries in information. There are studies which show positive relationship amongst FDI flows and geographic distance (Biglaiser and DeRouen, 2006). Using the data of countries including India, Brazil, Russian Federation, China, Mexico and Turkey from 1996 to 2014, gave the evidence that liberalisation of trade significantly affects the multinationals overseas investment decision (Shah and Khan, 2016). Similarly, a study on Vietnam's Free Trade Agreements (FTAs) showed that economic integration at the regional level and

global level by eliminate tariffs for Vietnam will improve the legality of trade and would benefit trade and economic growth (Nguyen, 2018).

2.4.7 Supportive physical and institutional infrastructure in host country-

Infrastructure is the development of railways, telecommunication roads, ports etc. Poor infrastructure can act as an obstacle to foreign investment. The pattern of FDI inflows are influenced by physical infrastructure like highways, railroads and suggests that infrastructure impacts the FDI growth if other variables remain constant (Loree and Gusinger, 1995). Moreover, export based firms check the infrastructure, telecommunications, water and power supply and relevance of transport in host country (Zhou, Delios and Yang 2002). The determinants in Japanese foreign direct investment in China suggested the important contribution of infrastructure and highlighted the significance of Special Economic Zones (SEZs) (Vijayakumar, Sridharan and Rao, 2010; Nurudeen, Wafure and Auta, 2011; Seetanah and Rojid, 2011).

2.4.8 Promote long term strategic objectives

More is the time horizon of strategic plan by company, more likely the company prefer long-term investments (Johansson, 1997). The joint venture is a type of OFDI method to enter into host country. Direct investment signifies a motive for long-term movement into the host country which is motivated by profit, rights of ownership, management as well as control over the entity in the host country (Stojanov, 2000).

2.4.9 Favourable tax regulation

Forty five African countries were examined for the period 1980 to 2009 for analysing the effect of FDI inflows into African countries. They showed the influence of the tax burden

on FDI inflows by highlighting the role of tax treaties by using the data of 1993 to 2007 (Sichei and Kinyondo, 2012). Foreign investment inflows were negatively influenced by tax burden and treaties (Murthy and Bhasin, 2013). Moreover, the foreign investment inflows to the Baltic countries using the data of period 2000 to 2008 showed the negative influence of taxation on FDI inflows into the Baltic countries (Raudonen and Freytag, 2013).

2.4.10 Strong legal and property rights in host country

The preference of the firms for opting WOS when there is a high risk of doing business in the host country and vice versa that the protection for property rights is less, the risk of going into the joint venture is less because of the more risk of dissemination of information to rivals (Driffield and Taylor, 2000). When IPR is not well protected, firms prefer to opt WOS. It means that weaker the intellectual property rights, lesser is the FDI. The findings of the study analysed 75 different developing countries by taking the data from the year (1985 – 2003) and suggested that IPR is significant determinant to attract foreign direct investment (Che and Facchini, 2009; Adams, S., 2010). Similarly, another analysis by (Yi and Naghavi, 2017) showeed that a strong IPR protection is able to attract more inflow of FsDI. Another data of 1,200 cities in 80 countries discussed that due to introduction of the concept of patent in the Netherlands FDI inflows increased (Falk and Peng, 2018).

2.4.11 Adverse business conditions in home country

The market size and competition of home country positively affect the decision to export (Wheeler and Davies, 1989). The impact of home country factors which affect the choice of the entry mode decisions and also underlined the supplying conditions, market conditions, competitive conditions of the home country having impact on selection of

entry mode (Root, 1998). Societal coordination is linked with relatively slower institutional adjustment and leads to higher prevalence of misalignments which may drive decision for OFDI (Witt and Lewin, 2007). Another study investigated the unfavourableness and favourableness of the home government as a significant factor of OFDI by using RBV theory (Gaur, Ma and Ding, 2018).

2.4.12 Inflation rate differential b/w home and host country

The level of inflation did not have any significant impact on FDI in South Africa. The less the levels of inflation levels are achieved at the cost growth rate (Rusike, 2007). Similarly, a lower output growth rate resulted in less profitability, thus there is an overall decrease in investment inflow for emerging markets (Brito and Bystedt, 2010). The study on effect of various macroeconomic factors for inward FDI in Norway from 1986 to 2009 suggest that real GDP and exchange rate had a significant positive impact on foreign direct inflows whereas inflation and interest rate showed negative impact on investment inflows (Boateng, Hua, Nisar and Wu, 2015).

2.4.13 Host country currency stability

The volatility of exchange rate for manufacturing firms suggested that productive capacity increases with the increase in volatility without affecting the home country investment in U.S, Canada, Japan and UK (Goldberg and Kolstad, 1994). The depreciation of a currency can cause foreign firms to purchase assets and technology in the host country at a lesser rate which which enhances the inward investment. This means that the exchange rate volatility is having negative relationship with FDI (Lim, 2001). Volatility in exchange rate effects FDI depending on its degree of openness (Furceri and Borelli, 2008). Exchange rate volatility had a positive effect on foreign investments with closed economies. In

contrast to the above study (Nyarko, Philip, Nketiah and Barnor Charles, 2011) found out that exchange rate doesnot impact FDI inflows at Ghana. The foreign direct investment in Somalia showed negative but significant relation between rate of exchange rate and FDI (Ali, Mohammed and Zahir, 2017).

2.4.14 Corruption in the host country

A study analysed FDI in Romania with the data of 1993-2003, highlighted the high level of corruption and bureaucracy led to economic as well as political instability. The study discusses that corruption influenced the FDI inflows in a neutral way (Turcu, 2008). The effect of corruption on foreign diret investment was analysed by taking the data of 73 countries from period between 1998-2008. The study suggested that FDI inflows increases in those countries where countries have lower corruption (Castro, C. and Nunes, P., 2013). Foreign investment inflows in Bosnia and Herzegovina, were analysed to detect the relationship between FDI inflow and the corruption. The data from National Banking Statistical data, Transparency International report and World Bank was collected, which showed that corruption negatively impacts the FDI (Pupović, 2015). The analysis of selected developing nations which are rich in avalilability of natural resources by using regression analysis suggests that higher the corruption in nations with large oil reserves, lesser is the FDI inflow (Hirsch, 2016).

2.4.15 Government policy toward inward direct investment in host region influences our company's foreign commitment

(Luo, 2001; Yiu and Makino, 2002) proposed that firms opt for JV rather than establishing a WOS, if governmental intervention is high. The New Zealand firms were examined on price adaptation, degree of promotion, which resulted in the suggestion that adaptation, degree of promotion negatively related with legal regulations amongst the host and home country and joint venture is preferred (Chung, 2005). Nine Southeast

Asian countries with data from the time period between 1995-2005 were examined that the uncertainty in the legal system negatively impacts the FDI. The relation between the former stated variables is moderated by government intervention in the economy (White III, Chizema, Canabal and Perry, 2015). The study on 95 countries by (Sambharya and Rasheed, 2015) collected the data from year 1995 to 2000 and examined that lesser the state intervention like higher political freedom, less regulation and absence of informal markets and higher levels of political freedom lead to greater FDI inflows.

2.4.16 Access to local brands in host country region influences our company foreign commitment

Firms generally take over to protect the brand name from dilution of brand name during international positioning of the brand. The local partners have less to lose as compared to the new entrant into the market. This study gave the evidence that higher ownership levels are utilised for standardization in style of the product name, design and quality is part of the entrant's strategy (Caves, 1981). The partner brand attitude has more impact on attitude of the consumer for international brand alliance if the partner brand name appears first (Li, Yan, and Hongwei, 2013). The differences in these responses decrease with national openness (Rajabi, Dens, De Pelsmacker and Goos, 2017). The influence of cultural openness was examined in a study which highlights the perceived reputation of country-of-origin (COO) may support for solving purchase decisions between the relationship amongst different consumers and the various firms from developing markets (Jiménez,and San-Martin, 2016).

2.4.17 Low political risk in host country influences our company foreign commitment

Regression analysis was used to confirm that political conflict affects the foreign investment in the developing host countries (Nigh, 1985). Likewise, little impact of the political factors was suggested on FDI entry mode decisions (Wheeler and Moody, 1992). The firms may undertake mode of entry for foreign investment which helps in reducing those risks which are associated with changes in governments of the host country (Dunning, 1993). So, political instability plays a important role in controlling the inward FDI. When firms face greater risk in the macro environment, they opt for wholly owned subsidiary (Ketata, 2006). The effect of natural resources, control of corruption, political stability as well as market size was studied by using regression analysis on panel data of 22 countries from the time period between 2008-2014 and concluded that political stability was having significant but negative effect (Shan, Lin, Li and Zeng, 2018).

2.4.18 Easy registration of land properties in host region influences our company foreign commitment

To increase the FDI inflows, the government should provide the suitable business environment. The Ease of Doing Business Index gives us the information for the laws of business environment and cost for doing the business of about 189 different locations. It includes the parameters like registering property, getting credit etc. For promoting and motivating foreign and the local investor there should be ease of establishing the business (Hassan and Basit, 2018). The empirical evidence with the help of regression analysis was given to prove the connection between government actions and FDI .The result of this study proved the evidence that increasing the ease of doing Business like ease of registering the property can enhance the FDI inflows (Piwonski, 2010). Another study on Baltic states and Georgia, evaluated the investment climate of (Index of

Economic Freedom, Ease of Doing Business Index). The attraction of FDI is an economic policy priority. The former indices have a significant impact on the FDI inflows (Papiashvili, Saksonova and Rupeika-Apoga, 2017).

2.4.19 Interest rate uncertainty

A Firm-level data analysis from January 1980 to February 2001 gave the evidence that FDI U.S. have a significant relationship with interest rate differentials (Jeon and Rhee, 2008). A study investigated the effect of various macroeconomic factors for inward FDI in Norway from 1986 to 2009. The findings suggest that interest rate negatively impacts the FDI inflows (Boateng, Hua, Nisar and Wu, 2015). A study used econometrics techniques for data in the period from 1985 to 2012. The study examined the impact of rate of interest on investment inflow in Sierra Leone and found that inflation and interest rate were insignificant factors for FDI inflow (Faroh and Shen, 2015). Other study is with the objective to empirically investigate the determinants like GDP, inflation and interest rate for FDI inflows in Pakistan for time period 1961 to 2013. This study gave the evidence that GDP, interest rate significantly and positively impacts FDI inflows where as inflation has negative as well as significant impact on FDI flows (Iqbal and Mahmood, 2016).

After reviewing the literature, the research gap is identified to examine the impact of various determinants like industry-specific, firm-specific and location-specific on decision for choosing the entry modes like JV and WOS. This study will help to analyse the business environment of the foreign country and thus help to choose the entry mode. The study will help the Indian firms who are willing to enter into the foreign market to develop the detailed analysis of entry strategies. It will also support multinational firms to generate profits from their investments by properly analyzing the macro as well as micro level determinants.

CHAPTER-3

RESEARCH METHODOLOGY

3. Research Methodology

3.1 Identification of Research Problem and Research Objectives

3.1.1 Research Problem -: The decision of entry by the Indian firms into the foreign markets involves a great deal of risk. Due to the volatility of markets it becomes difficult to evaluate the strategies.Consequently, different firms select different path for entering into the different foreign markets depending on the various factors discussed in this study. This thesis will specifically focus on the Indian companies that have involved themselves into foreign market by selecting different entry strategies**.**

3.1.2 Research Objectives

1) To study the relevance of 'JV' and 'WOS' as preferred entry modes of OFDI for various industries.

2) To analyse the industry, firm and location specific determinants of Indian firms for selecting OFDI as an entry mode.

3) To develop case studies on selected firms for understanding their FDI decision and International Operations.

3.2 Need and Scope of the Study

The findings of the study would be helpful for the firms to decide the pathway for the decision making and to choose the strategy based on various factors discussed in the study and also the equations would be constructed on the basis of factors in the study to guide the future expansion decisions of the firms. Even the study will be able to develop the detailed analysis of entry strategies used by

few firms and develop the case studies which would be further helpful for the reference. Thus this study is applicable to both the Indian firms who are willing to enter into the foreign market and also to those who have entered some foreign markets but want to diversify into different markets. Penetrating into a new market can be essential to the company with a proper internationalisation strategy. One of the objectives of research is to understand determinants from managers/directors point of view, which affect their decision for investment in foreign countries. Previous studies on international expansion shows that the strategic decisions of the firm depends on-:

A) The entry mode decision?
B) Which determinants affect the choice of entry mode?

FDI is source for investment funding contributing to industrial development (Asheghian, 2004). Literature review focus on determinants for FDI including political, financial, social and demographic determinants (Scott-Green and Clegg, 1999; Alsan, Bloom, and Canning, 2006; Kimino, Saal, and Driffield, 2007). The selected determinants at national, regional and global levels were studied to determine the impact on FDI inflow (Erdogan and Unver, 2015). Globalization provides opportunities to investors for expansion of their activities and long-term economic growth. The volume of OFDI increased in the year 2007, followed by decrease in outflow during financial crisis globally. The examination between the industry-specific, firm-specific and location-specific determinants and the various entry modes of FDI outflows of Indian manufacturing firms across different sectors are not studied previously.

The study makes use of official dataset from RBI on overseas FDI by Indian manufacturing firms using specific amount of equity and loan, which has not been used in previous studies on India's outflow of FDI. The study contributes to the empirical literature on outflow of FDI from India by evaluating industry, firm and location specific factors used for outward foreign investment by Indian manufacturing firms. The study

examines the presence of multiple motives, which is contrary to previous studies that just emphasized on the either resource seeking or market seeking motive. In the literature, it has been discussed that how the home country cultural characteristics impact the selection of the foreign entry mode but the impact of industry-specific, firm-specific and location-specific determinants has been overlooked. Firms engaging in outflow of foreign direct investment have increased efficiency, seek resource, assests and technology etc. It may also be significant for emerging multinationals to learn about investment experiences from various existing firms for successful foreign direct investment project. The rise in outflow of investment from India, motivated to examine the determinants associated with the entry mode. The empirical evidence on the firm specific, industry specific and location specific determinants contributing to foreign investment of Indian manufacturing firms is also examined.

3.3 Research Design

The research is exploratory as well as descriptive in nature and includes both qualitative and quantitative analysis in the study to achieve the objectives of the study.Given below is the breakup of the objective wise research design -:

3.3.1 Research design for objectives 1- The study of first objective is exploratory in nature. Here, the relevance of 'JV' and 'WOS' as preferred entry modes of OFDI for various industries is analysed. The indepth analysis on the basis of location specific determinants by reviewing the literature, using secondary data from books and referring to government websites like Reserve Bank of India (RBI), The United Nations Conference on Trade and Development (UNCTAD), The U.S. Department of Commerce's International Trade Administration, The Department of Industrial Policy & Promotion (DIPP) .

3.3.2 Research design for objectives 2-: The study is descriptive (single cross-sectional) in nature. By this study, the gap gets refined for a more systematic and

sequential investigation for formulation of research questions in the study. The descriptive research designs provide answers to questions like who, when, where, and how associated with a particular research problem. The descriptive design of research is often used as the pre-cursor to the more quantitative designs of research as to which variables are worth testing them quantitatively, relative to this, the study tests some independent variables constituting (firm, industry and location specific factors) selected from the literature review for observing their impact on the selection of FDI mode by Indian firms. Single cross-sectional designs within the descriptive design, has only one sample of respondents and the data is obtained from this sample only once. The quantitative analysis would be done.

3.3.3 Research design for objectives 3-The design for this particular objective is descriptive in nature and qualitative analysis is suggested for completing this objective. The case study is developed for the 4 different firms explaining their strategy for the expansion.

3.4 Sampling Design Process

The aim of doing marketing research is getting information about characteristics of population or estimating population parameters on the basis of representative sample of target population. The sampling design process used in the study involves certain steps for selecting a representative sample from target population. The sampling design process used indescriptive part of the study contains following steps-

a) Identifying Target Population

The identification of target population is based on translating the research problem into precise statements indicating who should be included in the sample in terms of elements, sampling units, extent and time (Malhotra and Dash, 2011). The element refers to as the object about which or from which the information is desired. The top management executives of the Indian manufacturing firms of India with financial commitment as JV or WOS of greater than or equal to USD 5 million into the overseas market are the elements. In this case, the sampling unit and elements have been considered same for the study. The extent refers to the geographical boundaries, so manufacturing companies from whole India are taken as a research area for study. The time factor refers to the time period under consideration for the study i.e. July 2007 to December 2017.

b) Sampling Frame

The sampling frame is used to represent the elements in the population. The top management executives of the Indian manufacturing firms with financial commitment as Wholly Owned Subsidary (WOS) or Joint Venture (JV) of greater than or equal to 5 million USD into the overseas market. The official documents of RBI have been used as sampling frame for study.

c) Sampling Technique and Sample Size

Our population is of 432 firms which can be defined by Indian firms in manufacturing sector who have JV or WOS in the year of July 2007 to Dec 2017. The number of respondents who participated in the survey were 102, corresponding to 23.6% participation in the survey by email. For the sampling,

this study uses the non random quota sampling where the subjects are selected on the basis of pre-specified characteristics of the firms.

d) Execution of Sampling Process

The execution of sampling process is based on the various steps involved in sampling design process with respect to target population, sampling frame, sampling unit, sampling technique, and sample size. The data was collected during the period of July 2018 to May 2019 by using self administered questionnaire.

3.5 Sources of Data

Data is collected from the various companies situated in India through the primary and secondary sources. Secondary data is gathered using different sources such as published research journals, government reports (Reserve Bank of India). Primary data is collected through email survey by mailing the questionnaire, using Linkedin and through indepth interviews for the purpose of writing case studies. Email suvey is cost-effective, relatively easy to administer and supports to cover an extensive geographic area. The advantage of using personal interview for writing the case studies for our third objective is that the information gathered is first-hand and there would be less chances of biasness due to freely posing of questions in-order to get answers for the questions under study.

3.6 Measurement and Scale

3.6.1 Scale

To ensure the content validity of scales, the items have been taken from the most relevant literature. The scaling depends upon the nature of the objectives and relatively also depends upon what proposition has been drawn. The questionnaire constitutes nominal, ordinal, interval and ratio scale as suggested by the past studies also. More specifically questionnaire would have single item scales (multiple choice questions), multiple item scale (Likert scale) for the second objectives of our study.

3.6.2 Type of Questions

The structured and close-ended questions in nature have been used for collecting the data from the respondents. A structured questionnaire consists of a set of standardized questions which specify the same order of the questions and wordings to gather the information from respondents. The close ended questions are those which have certain options available and the respondent is bound to answer them with that particular parameters only.

Part A-The first part of the questionnaire is designed to measure the impact of Industry specific determinants on choice of foreign entry mode and consists of 6 questions based multiple items with ascending five point Likert scale.

Part B-The second part of the questionnaire is designed to measure the impact of Firm specific determinants on choice of foreign entry mode and consists of 16 questions based multiple items with ascending five point Likert scale.

Part C-The third part of the questionnaire is designed to measure the impact of Location specific determinants on choice of foreign entry mode and consists of 19 questions based multiple items with ascending five point Likert scale.

3.7 Hypothesis Formulation

Hypothesis refers to an unproven proposition to a decision problem that can be empirically tested on the basis of data collection during the research process; it is also developed in order to give justification of phenomenon or a relationship between two or more variables (Hair, Bush and Ortinau, 2007). The formulation of null hypothesis is based on the statements of status quo; one of no difference or no effects.The hypotheses framed in the study in order to make inferences about target population are mentioned as follows-

a) The 1st hypothesis is framed for Industry specific factors

- Null H01-:The Industry specific factors donot have any significant impact on selecting a specific FDI mode for foreign entry.
- Alternative H11- The industry specific factors have significant impact on selecting a specific FDI mode for foreign entry.

e) The 2nd hypothesis is framed for Firm specific factors

- Null H02- The firm specific factors donot have any significant impact on selecting a specific FDI mode for foreign entry.
- Alternative H22- The firm specific factors have significant impact on selecting a specific FDI mode for foreign entry

f) The 3rd hypothesis is framed for Location specific factors

- Null H03- The location specific factors donot have any significant impact on selecting a specific FDI mode for foreign entry.

- Alternative H33- The location specific factors have significant impact on selecting a specific FDI mode for foreign entry

3.8 Validity and Reliability Testing of the Constructs

It is necessary to test the multi-item scale in research for checking the accuracy .It will help us to decrease the variation of information. The validity as well as the reliability of constructs are checked for assuring the accuracy of the researchers instrument. The content validity of the instrument is tested from eminent academicians for examining that whether the items on scale are properly covering the entire construct or not. The reliability testing takes place to find out the extent to which a scale can produces consistent results over repeated measurements or not. The rule of thumb that applies to most situation is that $\alpha>0.9$ (excellent), $\alpha>0.8$ (good), $\alpha>0.7$ (acceptable), $\alpha>0.6$ (questionable), $\alpha>0.5$ (poor) and $\alpha<0.5$ is unacceptable for testing the reliability of instrument (George and Mallery, 2011). As Cronbach's alpha (α) values appears in-range from 0.9 to 0.6 for all the constructs, hence, the reliability of constructs used in the questionnaire has been tested and can be used for further analysis.

Table 3.1 Reliability Statistics

	Cronbach's Alpha	N of Items
Overall reliability	0.904	41
Industry-specific determinants	0.844	6
Firm Specific determinants	0.844	16
Location specific determinants	0.804	19

Source- Research findings

3.9 Analysis Techniques and Statistical Tools

Both qualitative and quantitative analysis techniques have been employed in study for understanding of problem setting and to quantify the data for applying statistical applications.

3.9.1 Tools for data analysis for objective 1

The analysis of the literature is done for the analysis of the various entry modes for suggesting the best means of entry mode that a specific sector should follow for successful entry into some other location. Secondary data from the literature review and various government websites is used for the analysis.

3.9.2 Tools for data analysis for objective 2

As per the review of literature it has been observed that the tool that best fits the study is Regression .The relationship in between the variables would be established by using MLR (Multinomial Logistic Regression), as reviewed from the understanding of the literature review.

3.9.3 Tools for data analysis for objective 3

The qualitative analysis is done by conducting indepth interview to achieve this objective

3.10 Dependent variables

The following can be the entry mode decisions for the expansion due to the impact of industry specific, firm specific and location specific determinants.

3.10.1 Joint Venture

The JV is used for the strategic alliances in which there is collaboration of the foreign party and the local party in equity. The participation in equity may be in equal or minority stake. Only joint venture is used by certain firms due to certain advantages like managerial capability of the local party in the host country, less capital risk, easily getting contacts approved from the government for in manufacturing, distribution and retailing and reducing the complexity for making decision and strategy implementation.

There are observations about following the JV where companies having the ability to risk participate for entering into the new market still enter into Joint Venture. In a situation where government laws legally donot allow full ownership, the foreign companies opt joint venture for manufacturing at cheaper cost for huge market. The limitations of this type of entry mode are-: Difference in managerial styles, culture, motivation, selection of the right partner and communication problems. There are certain other risks linked with this entry mode. Notably, the complexities are there at the time of exit from the foreign market. Another risk is linked with the safeguarding of the intellectual property rights (IPR). The major challenge of couterfeiting is faced. These limitations explain the criteria of majority of firms prefer WOS to JV.

3.10.2 Wholly Owned Subsidiaries

The firms which are only using this mode are under full ownership and have wider control over the operations. But this mode of selection can be undertaken in two approaches. 1) Through acquisition 2) Greenfield investments. The Greenfield investment is done by using a completely new facility. The major advantage is that there are negligible cultural conflicts in this mode but there is also the disadvantage of high cost. The return on investment is achieved on the long term investments and also it takes time to achieve economies of scale. Another method is of acquisition that allows which means to buy the existing facilities and operations. Generally, a new firm which enters

into the market lacks the competencies, so when the firm which is entering, buys the existing firm in the host country, can overcome the barriers to entry (which is high economies of scale of local competitors which is already established. Moreover, the local firm may also help to identify the potential markets. But with it, this mode also has the limitations of cultural difference which may be faced by both home and host country, which can lead to the problems.

3.10.3 Both

Many organizations prefer to enter into markets using both entry modes simultaneously, they may opt both joint venture and the method of wholly owned subsidries in different markets together.

3.11 Independent variables

The following table represents three categories of independent variables which impact the entry mode decision of the firm.

Table 3.1.1 Independent variables

Industry specific variables	• Mandatory investment level • Market barrier • Easy access to the natural resources • Degree of internationalization • R&D intensity of the industry • Competition intensity of the industry
Firm specific variables	• Increase appetite to take risk • Production process strength • Firm service quality • Economies of scale • Firms brand image and trade mark • Firms global marketing channels • Changing competitive prices • Better knowledge of consumer taste • Ability to adapt itself to different markets • Firms R&D strategy • Sound liquidity position • Intensive investment in advanced

	technology • Quality of company product • Perceived ability to handle global expansion • Large firm size in terms of total sales or total no of employees • Expertise in managing large and complex markets
Location specific variables	• Cheap and competitive semi/unskilled labour • Size of host country market • Culture in the host region influences company's foreign commitment • High logistic cost of exports from home country • Adaptation to local taste and resources • Access to third country market(capitalising upon preferential /free trade agreement • Supportive physical and institutional infrastructure in host country • Promote long term strategic objectives • Favourable tax regulation • Strong legal and property rights

	in host country • Adverse business conditions in home country • Inflation rate differential b/w home and host country • Host country currency stability • Corruption in the host country • Government policy toward inward direct investment in host region influences our company's foreign commitment • Access to local brands in host country region influences our company foreign commitment • Low political risk in host country influences our company foreign commitment • Easy registration of land properties in host region influences our company foreign commitment • Interest rate uncertanity

Source- Authors compilation from the literature review

CHAPTER 4

DATA ANALYSIS AND INTERPRETATION

4. Data Analysis and Interpretation

In this section, objective wise analysis is done to analyse the entry mode decisions. The analysis of the literature is done to determine the relevance of 'JV' and 'WOS' as preferred entry modes of OFDI for objective 1 by utilizing the monthly overseas investment data of RBI. Figure 1 shows the mean total i.e. the mean of total no. of firms in different manufacturing industry. Figure 2 differentiates and describes the mean no. of firms in each industry opting for JV and WOS. Figure 3 shows the mean no. of JV in each industry from period July 2007 to December 2017. Figure 4 shows the mean no. of WOS in each industry from period July 2007 to December 2017. The objective 2 is examined using MLR regression, as reviewed from the understanding of the literature review. For objective 3, qualitative analysis is done by conducting indepth interview and recommendations are suggested in the chapter 5 which are derived from this chapter of the study.

4.1 Analysis for objective 1

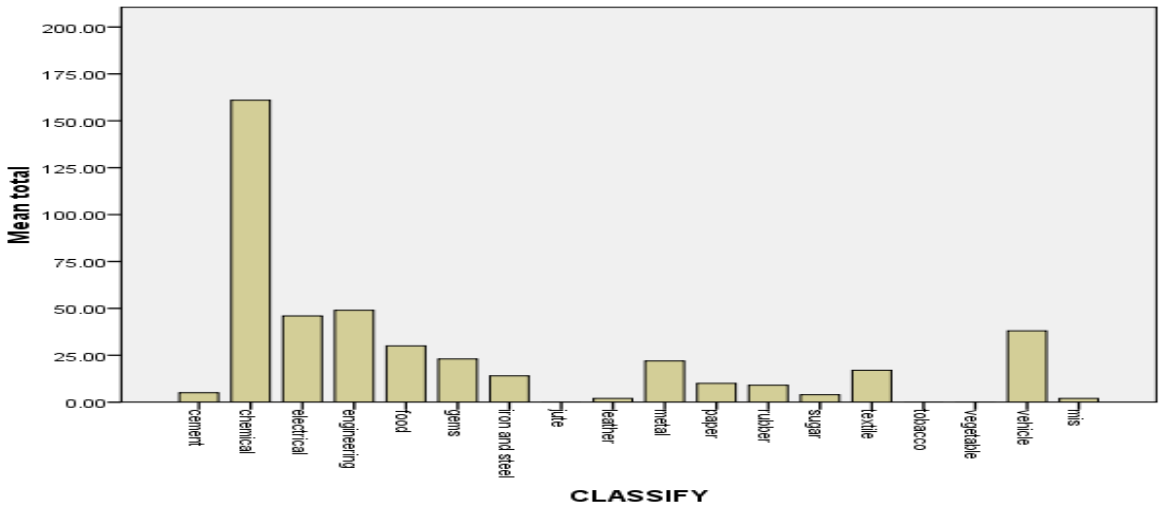

Figure 4.1-Number of FDI in each industry from the period July 2007 to December 2017 (source-authors compilation from RBI overseas investment dataset)

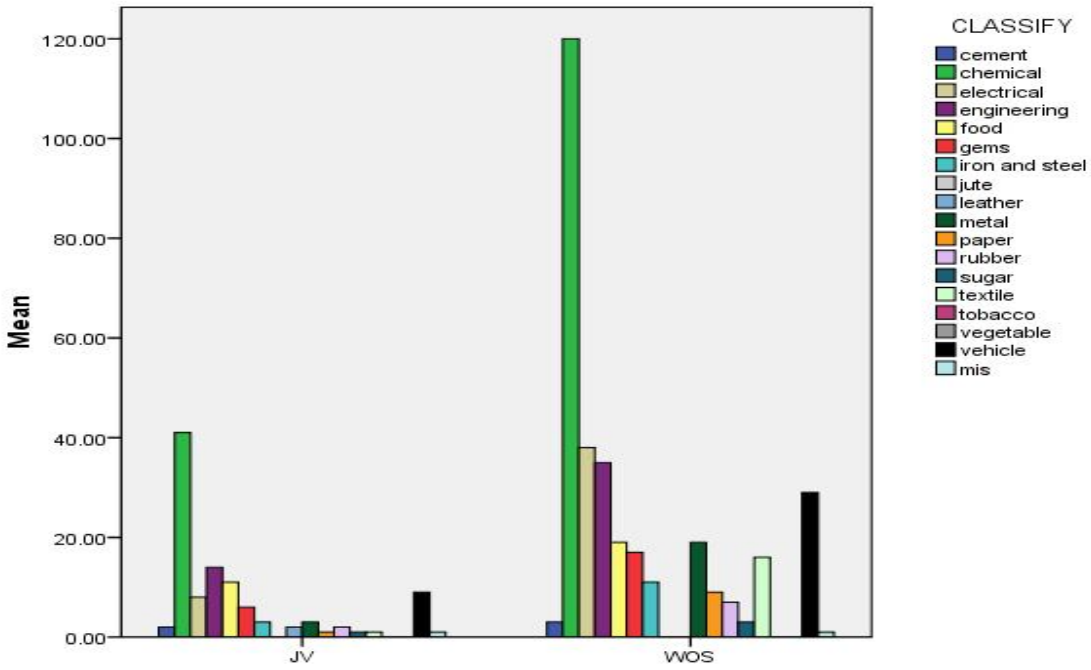

Figure 4.2 – Comparison b/w JV and WOS from period July 2007 to December 2017(source-authors compilation from RBI overseas investment dataset)

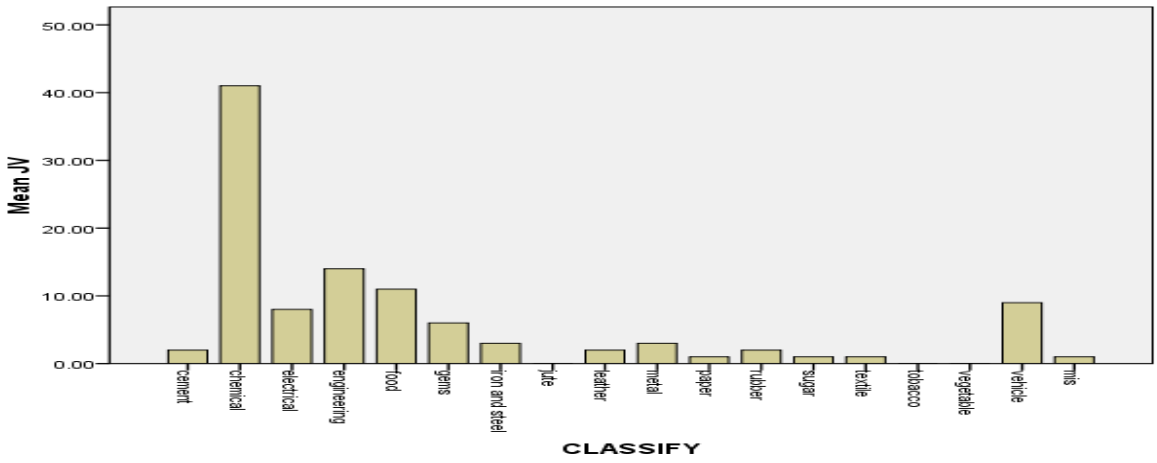

Figure 4.3-Number of JV in each industry from period July 2007 to December 2017(source-authors compilation from RBI overseas investment dataset)

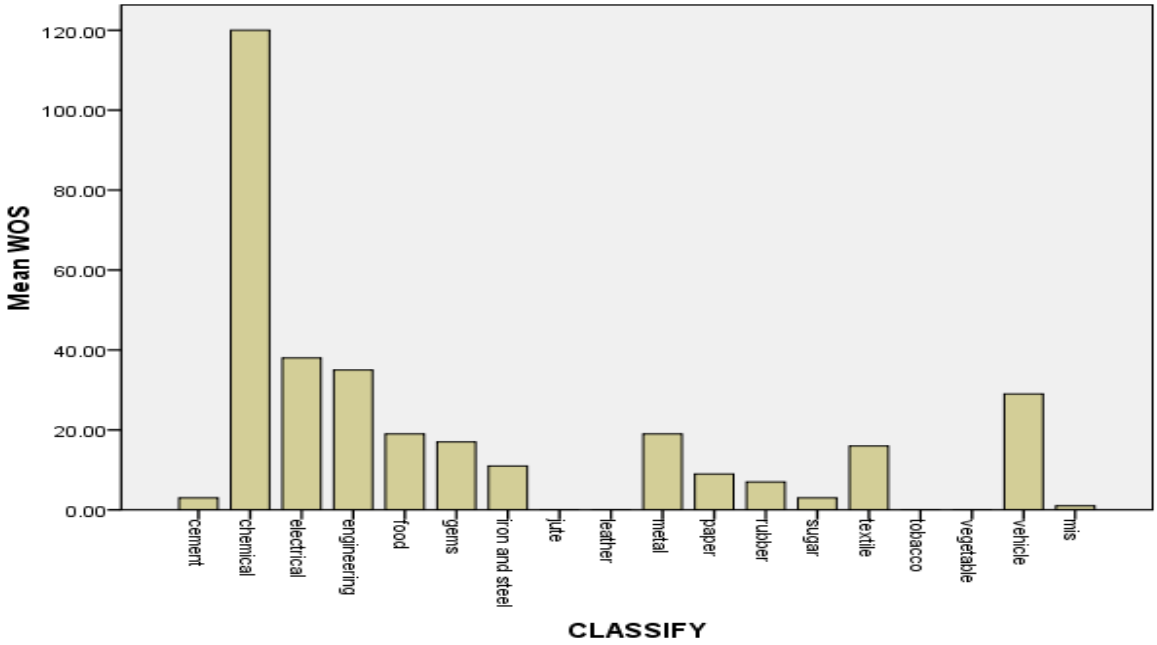

Figure 4.4-Number of WOS in each industry from period July 2007 to December 2017(source-authors compilation from RBI overseas investment dataset)

4.1.1 CEMENT

From the figure 4.2 and 4.3, it can see that only very few firms have JV over WOS in the cement industry. Cement is a commodity of lower cost but involving high cost of shipping. Therefore, geographical advantage is important to set up the cement trade i.e it is preferred to have local production facilities. More over the distribution of the cement by the seaborne transport is type of vertical integration which is used for the domestic distribution by the having their own chartered cement carriers, which is support to the supply chain and logistics through vertical integration. Firm's strategy for international marketing is to bring down the cost for the movement of cement. The Indo-Mauritian double taxation agreement highlighted that this agreement has added the attraction as

from July 1998 a tax rate of 15% will be imposed on different offshore companies, there is a possibility of setting up an offshore structure without a compulsory participation of local investors in Mauritius. Bank interests are exempted for payment of withholding tax on interest, royalties and payment of redemption proceeds. (Ministry of international trade and industry, 2017), issued the data regarding incentives for ceramic products under Malaysia Investment Development Authority (MIDA) which can be considered for Investment Tax Allowance incentives up to 70% or 100% subject to approval for fine ceramic/ advanced ceramics, absorbent mineral clay etc. (Hsu, 2012) examined that Singapore is a member of the ASEAN Free Trade Area as well as Trans-Pacific Partnership Agreement (TPP) which has contributed significantly for lowering the intra-regional tariffs. The (International Trade Administration, 2018) reviewed the investment policy of Singapore isconsidered as a free port because more than 99% of all imports enter Singapore duty-free. The office in Singapore, which is the hub of shipping firm's keeps the freight charges up to 30% less than its competitor's and shortens the travel time.

The incentives are provided for the establishment of domestic grinding plants. ICAD is situated in outerparts of Abu Dhabi. ICAD I constitutes heavy-to-medium manufacturing, including construction materials, plastics assembly and fiberglass. It is featured with the advantages of 0% tax, repatriation of profits and capital and it's presence near Abu Dhabi Airport makes it a suitable location for investment (Dubai FDI, 2017). Therefore, it can be said that cement industry is specifically following the WOS as a preferred mode for foreign entry.

4.1.2 CHEMICAL

Chemical industry is knowledge intensive and a capital intensive industry. According to the RBI classification, chemical industry constitutes many categories-: Manufacturing of varnishes, similar coatings, paints, printing ink,

plastic product, pesticides, of pharmaceuticals, medicinal, Non-edible oils, fertilizers, chemicals and botanical products etc. It is seen that 25.4% out of the total firms which are in this industry as per the study have followed JV and rest have chosen WOS as a preferred mode. Cost synergies can be made possible as the parent company and its subsidiaries can use common administrative services, financial systems, share and develop joint programs for marketing. The government of the British Virgin Islands offers a series of incentive packages for FDI which aims at decreasing the cost of doing business. The United Arab Emirates (U.A.E.) has large reserves of energy and crude oil. In Abu Dhabi, the Supreme Petroleum Council (SPC) frames policies related to petroleum.

The pharmaceutical market in U.A.E. is one of the second-largest in the Gulf Cooperation Council (GCC) after Saudi Arabia. In Dubai, WOS is preferred mode of entry as -:The Industrial City of Abu Dhabi (ICAD) has logistic hubs, developed roads, quick and easy access to airports. It has connectivity to the market by air routes, sea, land. ICAD III is occupied with light-to-medium processing and engineering business with an international focus including different high-tech industries, chemicals and plastics, key target sectors for this zone. Dubai Healthcare City (DHCC) facilitates healthcare services and gives the advantage of establishing business with 50-year exemption from corporate, personal and income taxes, 100% foreign ownership, Exemption from customs duty for goods and services (Dubai FDI, 2017). According to the International Trade Administration (ITA), USA has access to world class research centres, low-cost natural gas, protection for intellectual property with proper regulatory system which makes this location a preferred chioice of chemical firms (International Trade Administration, 2017).

In United Kingdom (UK) WOS is preferred as there is no ownership or control restrictions. The presence of National Health Service (NHS), largest purchaser of

medical equipment, accounts for approximately 85% of the country's healthcare provision. It has a constant need for new products and services, so opportunities are existing in all areas of the healthcare sector including mental health; age-related treatments and disease prevention (United Kingdom Country Commercial Guide, 2018). There is a sharp growth of pharmaceutical manufacturing in Mauritius. The budget of 2016-2017 announced by the government included-: investment tax credit of 15% over three years for the manufacturers in pharmaceuticals. Similarly, for Switzerland also the investment as well as the trade policies became liberal. The combination of rising living standards and aging population is a cause of increase in and willingness for spending more on health services. Switzerland is spending about 11.4% of its GDP on its healthcare. Switzerland is a gateway for European Union markets as well as marketing into Africa, Europe and Middle East.

The government of Nigeria prioritizes continuously to investment in natural gas based industries, as given by them in the Gas Master Plan, constituting targets for investments in petrochemical facilities, gas pipelines and processing, gas-to-power projects called Nigeria Gas Flare Commercialization Program (NGFCP) policy. The Government of Nigeria promotes joint ventures, particularly for the sector of oil and gas. In Belgium less interest rates and energy prices and favourable euro/dollar exchange rate continue to stimulate fuel exports leading to economic growth. This makes Belgium a logistical gateway and hub for Europe but severe fragmentation of the labour market, higher inflation, saturated transport infrastructure, complex institutional structure and multiple administrative levels leads to choose JV as a preferred mode of entry (International Trade Administration, 2017).

Meanwhile, Russia has abundant natural resources (oil and gas) but very high government interventionism. The increasing pressure on civil society and less

freedom of expression makes JV a suitable option (Foreign and commonwealth office, 2015). Hong Kong is also an attractive destination for marketing skincare and cosmetic products in the Chinese market. But higher cost is making rivals more competitive (Foreign and Commonwealth Office, 2017). Tunisia has high government interventionism in some sectors like hydrocarbons, pharmaceuticals. It vigorously protects its domestic pharmaceutical industry and its unstable political situation are reasons of opting JV as a mode of entry (Foreign and Commonwealth Office, 2015).

4.1.3 ELECTRICAL

It is seen from the descriptive statistics that 17.39% firms have opted for JV because this sector is highly technology intensive but WOS will minimize the risk of losing control and offers good control over global operations.The companies who have opted joint venture have done so due to the various reasons like, as per the Commercial Companies Law foreigners ownership cannot be more than 49 percent of a limited liability outside any of the various free zones in U.A.E (Delmon and Delmon, 2013). National security and defence are one of the reasons given for why the French government surpasses a 33.33-percent ownership threshold in the energy infrastructure and electronic communication networks. Qatar's foreign investment law has 49% limit of the entity's capital foreign ownership, Non-Qatari Investors are exempted up to ten years from the income tax. In Luxembourg, there is a non-discriminatory screening mechanisms for foreign investors. There is no limit to foreign control.

Luxembourg is very attractive tax location as it has very less corporate tax rates as current rates are 21 percent; the lowest VAT rate in Europe is 17 percent which leads to low burden of personal tax. Netherland, The Advanced Manufacturing industry in the Netherlands is known as High Tech Systems and Materials (HTSM). Worldwide, the Netherlands has a market share of 20 percent

and for the incorporation of a public limited liability company, the amount is just €45,000 (Doing Business in Netherlands, 2018).

The Republic of Cyprus' (ROC's) has the geographic location at the cross-roads of Africa as well as the Middle East region, which is offering opportunities of growth, exploration and ancillary services for U.S. energy sector. The natural gas is present in the Eastern Mediterranean which lies in the ROCs Exclusive Economic Zone (EEZ) (International Trade Administration, 2016). Similarly, Mauritius is having political stability, the judiciary is having transparent and and non-discriminatory legal system**.** The labour market remains relatively flexible, the government of Mauritius has plans to enhance the use of renewable sources of energy from 22% to 35% by 2025. Mauritius allows 100% foreign-ownership with no minimum capital requirement on solar energy projects, wind farms project and biomass to-energy projects. Mauritius has an Exclusive Economic Zone (EEZ) which is by area, 1.9 million square kilometres and is 25 largest in the world.

The Government of Mauritius claimed to transform "from an island state into an ocean state" through the development of ocean-related industries which include Marine renewable energies like wind and tidal (The Mauritius Ports Authority (MPA), 2017). Israel is an electricity island where the energy sector is administered fully by government company named, Israel Electric Corp (IEC). The Electricity Law of Israel gave a framework to increase the share of Power Producers (IPP) from 0.5 to 20 percent w.r.t the ratio of Israel's generated electricity capacity. Due to construction of the networks for distribution and gas few major areas will soon be connected to the gas supply. The IPP Israel has no restrictions on foreign ownership and also allows repatriation of foreign investment capital and profits (Israel Central Bureau of Statistics, 2018).

4.1.4 ENGINEERING

The descriptive results emphasize that 28.57% firms have opted for JV. High political risk has led to the JV in Saudi Arabia. Saudi Arabia allows 100% foreign ownership firms for establishing office in Saudi Arabia. However, the sector of architecture, engineering as well as civil planning must have a Saudi partner and the foreign partner's equity cannotbe more than 75% of the total investment (Bureau of Economic and Business Affairs, 2015). Another example is that of Netherlands, which has a stable political environment, fully follows the international standards of protection of real property and the subsidies are in the form of tax credits disbursed direct cash payments or tax rebates. Moreover, Cyprus has two Control Type II Free Zones (FZs) which are located in seaports of Larnaca and Limassol, here the non-EU goods are not subject to VAT or import duties. Cyprus is offering comparatively low corporate tax rates in the European Union at 12.5 percent. There are also incentives of different forms for industrial-related investments and tourism. Singapore has 11% global market share for electronic semiconductor because of which more foreign investments inflows occur. The ambience of Singapore has favorable tax codes, less corruption, and strong Intellectual Property Protection (IPR) (Singapore Trade statistics, 2018). The government of Tanzania had a focus to improve transportation infrastructure, so there were oppurtunities for building the warehouse facilities, hotels near to the airports, shopping complexes near international airports and international container operations, ports, airport etc which attracted the foreign direct investment (Tanzania Investment Centre, 2018).

4.1.5 FOOD PROCESSING AND MANUFACTURING

This industry has 36.66% firms in JV which is supported by the figure 4.2 and 4.3. Let us discuss the example of Vietnam, where JV is opted for obtaining

certification of investment is complex as it requires approval from different ministries depending on sector of the investment, whether ownership is foreign or domestic and the size of the company. In Zambia, there are high domestic lending rates, inconsistent monetary policy, stringent labour laws, high labour cost, shortage of skilled labour and high intervention of government for controlling agriculture markets (Zambia: Agricultural Economic Fact Sheet, 2015). In some other regions like Morroco, WOS is preferred because EPZ (Export Processing Zones) are present. These are those zones which are exempted from exchange control, foreign trade as well as customs regulations.

Goods which are entering and leaving the free zones are having the exemption of tax. After any company completes the five year of its business operation, the business tax of 8.75% is charged, instead of 30% which is the usual tax. Morocco has large scale production of fruits, vegetables, grains, pulses and dairy products with easy access to raw material to food processing industries. Moreover European Union is a primary trading partner which accounts for 60% of the for Morocco Agri product export (Foreign Agriculture Service, U.S. Embassy Rabat, 2018). In GCC (The Gulf Cooperation Council), due to increase in tourism in GCC there will be growth of food consumption. There is a visible increase in organized hypermarkets as well as supermarkets which is likely to support the supply of packaged and processed foods. The increasing Dubai Industrial City (DIC), capitalizes on the food processing market in Dubai. It is located near to the Jebel Ali Port which provides traffic free environment for global transportation points via road, air and sea. The UAE enjoys a strategic location between Asia, Europe and Africa (Ministry of Economy UAE, 2017).

Hong Kong does not levy any excise duties and customs tariff. It has a strong protection laws of IPR, requires no foreign exchange controls and foreign ownership controls.It is enjoying close links with Asia and China. Due to presence of Closer Economic Partnership Arrangement (CEPA), Hong Kong is

having preferential access of different mainland's market (U.S. Consulate General Hong Kong and Macau, 2017). Better political stability has given rise to socioeconomic benefits and increased the per capita income. The industry effected by climatic irregularities. Sri Lankan products have availability for good quality of local raw materials which has enhanced the industry's commitment towards the investment (The World Bank, 2018).

4.1.6 GEMS AND JEWELLERY

The empirical results emphasize that 26.08% companies have opted for JV. China (including Hongkong) is an important jewellery gold jewellery and diamond studded jewellery market because of its large population and rising middle class. The transformation is towards liberal market policies in China. Different firms have opted both JV as well as WOS in USA and Hongkong. The province of Guangdong, including Shenzhen and Panyu has gemstone and diamond industries. The Shawan Jewellery Park established in 2002 is a gold manufacturing center. It has solution express transportation and gem-testing services which are inside the center. The Pearl River Delta cluster of jewellery industry firms, the Yangtze River Delta cluster and the Bohai Coastal Region cluster offer shared resources at reduced costs, which helps in enhancing industrial competitiveness (Sigurdson, 2004; Hsu, Lucas, Qiu, and Yu, 2014). WOS is beneficial in USA because it is an attractive destination for gems and jewellery due to massive market size, high purchasing power and liking for jewellery.

Dubai as it offers attractive concessions for foreign investors and different investment incentives which includes zero taxation, 100 percent ownership. Dubai Gold and Diamond Park, which was established in 2011, with objective of becoming world's center for precious stones, gemstone, jewellery. Here customers can have customized design. It has no limits and offers 100% foreign

ownership with no Corporate and income taxes. It is the strategic gateway located within Dubai with easy access to all areas. Also, there is full custom duty and corporate exemption on imported equipment as well as raw material (The United Arab Emirates Government portal, 2019).

4.1.7 IRON AND STEEL

India is losing its competitiveness for export because of high cost of labour, logistics and capital, decline in international prices of iron ore and new auction process in India which will increase the costs of coal and iron ore (The National Council of Applied Economic Research, 2015). The empirical evidence shows 21.42% out of 14 companies opted for JV. The companies opted for this route due to restrictions example-: FDI in Chile should be minimum of USD 5,000,000 in currency and USD 2,500,000 if the investment is in profit reinvestments, fixed assets and technology, profits. So to decrease the cost of investment the JV is opted to share the cost. One of the world's most expensive cities for running business is UK, which has high property prices, transportation as compared to other European cities. Margin development follows a negative trend line for steel industry during the period of 2007-2012. And there was high cost base for raw materials (OECD Steel Committee, 2013). South Africa is the world's top producer of minerals like 88% of Platinum-Group Metals (PGMs), rhodium, 72% of chrome, 80% of global manganese reserves and 27% of vanadium. But its steel industry is declining since 2010 and has a weak demand, because of cheap steel imports affecting the profitability of the domestic steel manufacturers. Moreover South Africa has the volatile exchange rate, high inflation history and continuous change in mandatory industrial localization requirement for foreign suppliers makes it risky to do the business (The Department of Trade and Industry, 2018).

WOS is seen in the regions like UAE, France, Singapore, Cyprus, British Virgin Islands (BVI) as example. The British Virgin Islands allows FDI by offering

different incentive packages which result in reducing the cost of expanding the overseas business on these islands. The relief on custom duties lowers the corporation tax payments over specific period. India-France Joint Committee for Economic & Technical Cooperation (JCETC) was set up on 26th January, 1976 to facilitate commercial relations between two countries. It constituted Social Security Exemption Agreement (SSA), Double Taxation Avoidance Convention (DTAC) and MoU on Intellectual Property.

There are strong opportunities for suppliers of parts, components of civil aircraft which makes the market attractive (French Aerospace Industries Association, 2018). Singapore has major distribution, and logistics hub, which waves the way to the ASEAN region, it lacks corruption, strong IPR protection and growing aviation market makes this location attractive. Manufacturing is important part of economy of Singapore where engineering is the crucial enabler for iron and steel industries (South East Asia Iron and Steel Institute, 2017 (SEAISI)).

4.1.8 JUTE

No investments are seen within the period of July 2007 to December 2017 in this industry of the manufacturing sector

4.1.9 LEATHER AND LEATHER PRODUCTS

It can be noted from the figure 4.2 and figure 4.3 that organizations having business in sector of leather and leather products have used JV as the method for foreign entry. Two destinations were preferred i.e. France and Mauritius. The cutting of leather is highly labour intensive so it is difficult to automate the manufacturing of the product. The skilled staff is required for cutting of the leather. So, joint venture is the selected mode of entry to the new market to share the risk and cost of manufacturing (as its highly labour intensive and secondly,

access to the skilled staff and gaining new technological knowledge are major benefits of the investments in France. Moreover, the raw material (French calf leather) is of exceptional quality in France. The structural reforms like reducing the tax burden and improving labour market functioning have made the market attractive for investment.

For Mauritius, government has announced many incentives to attract FDI (Blin, 2004). Double taxation treaties (24 in effect and another 14 under negotiation) are major source of attraction for FDI (UNCTAD, 2001). The foreign exchange control is not there with a modern copyright law. The labour productivity of India in the leather segment has been dismal due to limited automation in the industry as 80% of the work is done manually. Very less Indian firms have in-house design facilities for value addition to the product and only basic patterns are manufactured. France has superior design capabilities and considers India as a major market to sell its products by opting joint ventures in and from India.

European leather production is very flexible and processes all the main animal origins. Due to the efforts by Social Partners of the European Tanning industry, European Confederation of the Leather Industry (COTANCE) and IndustriAll a foundation of European Sector Skills Council on Employment and Training is established for the restructuring process in the leather manufacturing. The firms enjoy up to 40% lower prices of local skins due to presence of unfair export restrictions and Effective solutions against “social and environmental dumping”. European tanneries continuously work on the efficiency of production processes by adoption of less energy intensive techniques and undertake research for effective technologies (IndustriALL Global Union, 2012).

4.1.10 METAL AND METAL PRODUCTS

The empirical evidence shows that only 13.63% out of 22 companies have chosen JV as a preferred mode and rest opted for WOS. For example, Netherlands has a stable political environment.It fully follows the international standards of protection of real property and subsidies are in the form of tax credits which are given in the form of rebates in the corporate tax which leads to choosing the WOS as the mode of entry. Similarly, Netherland is known for using the high tech systems and materials in manufacturing. It has no foreign investment screening mechanisms and no foreign ownership control (National Minerals Information Center, 2014). In UAE, DMCC (Dubai Multi Commodity Centre) is the global centre for more than 13,000 businesses industries and sectors including gold, diamonds and base metals. It enjoys simple set up process, 0% personal as well as corporate tax for 50 years with 100% foreign ownership. DTAA which was an agreement between India and UAE in April 1992. Moreover, India-UAE Bilateral Investment Promotion and Protection Agreement (BIPPA) was signed for enhancing commercial as well as economic relations between India and GCC countries on December 12, 2013 at New Delhi.

Industrial City of Abu Dhabi (ICAD I): includes manufacturing of metal products and enjoys quick access to multiple ports and easy connectivity by land and sea (Embassy of India, Abu Dhabi, U.A.E.,2019). The Strategic Materials Protection Board met on July 17, 2007 in U.S. led to restrictions on steel investment in which the alloy content is exceeding manganese 1.65 percent, silicon 0.60; or copper, 0.60 percent etc (James K. Jackson, 2013).

4.1.11 PAPER AND PAPER PRODUCTS

The empirical evidence shows 10% firms have choosen JV and rest majority chose WOS as a preferred mode of entry. JV is preferred in Kenya due to Political uncertainty, high cost of skilled and educated labour, high energy cost and infrastructural deficits (Council on Foreign Relations, 2008). The ease to acquire raw material mainly gives the competitive edge as total area of forests in Mauritius is about 50,000ha, out of which 20,000ha belonging is occupied by state forests (Food and Agriculture organization of United Nation, 2017).

The Southeast region is a major producer of pulp and papermaking because of easy access to large markets in the eastern United States (U.S.) and raw materials. The Great Lakes is the largest paper manufacturing regions in U.S. (US Department of Labour, 2018). Easy access to raw material like timber resources, the Pacific export market makes USA a convenient location. Singapore is a gateway for major Indian Subcontinent (Singapore Business Federation, 2018). Singapore is a global competitive manufacturing hub for 3D printing with unique skilled workforce. Due to 3D printing the initiatives like NAMIC (National Additive Manufacturing Innovation Cluster) for speeding the development of the region. (Singapore's Advanced Remanufacturing and Technology Centre, 2018).

4.1.12 RUBBER AND RUBBER PRODUCTS

It can be seen from the figure 4.2 that 22.22% of the firms opted for JV. The JV was opted for Italy which faces strong competition from local and other European Union companies in different segments and also has complex regulatory environment which lacks clarity. Italy is a pathway to 500 million consumers across the European Union and to 270 million consumers in Northern Africa as well as in the Middle East region. Continuous research and innovation

is leading to excellence in many fields (The Italian National Institute of Statistics, 2017). The countries like Singapore, where WOS is used because of ease of doing business, financial and legal stability, transparency, openness and integrity in business. Global inflows of FDI is there in Singapore making it a new home. Singapore has rubber trees plantation and is becoming the biggest commodity hub in the world as all registrations and necessary licenses come within 7 days through a single window.

The very old agreement called Comprehensive Economic Cooperation Agreement (CECA) is safeguards the investments as well as the other treaty which is known as Double Taxation Avoidance (DTA) treaty. The decision of entry into SriLanka is supported by the plantation of rubber trees, which are a source of raw material for the rubber industry (National Library Board, 2019). As in 2014, Sri Lanka was at the sixth position among the global natural rubber producers. Sri Lanka has less restriction for foreign investment and has open financial system, stable monetary policy, continuously improving infrastructure (International Trade Administration, 2018). Similarly, Cyprus has low corporate tax at 12.5 percent and a liberal investment regime. It is a strategic location providing the gateway to Europe, Asia, and Africa, which helps to manage regional business easily (Ministry of Interior-Cyprus Investment Programme, 2018).

4.1.13 SUGAR PRODUCTS

It can be seen from the figure 4.2 and figure 4.3 that 33.33% companies out of have opted for JV. In Mauritius, labour accounts for some 55% of total production costs of sugar. In the sugar sector, foreign investment more than 15 percent is not allowed. Furthermore, under the SADC (The Southern African Development Community) Sugar Protocol, It can export upto 1,500 tonnes of duty free sugar to the other Southern African Customs Union (SACU)

(Investment Climate Statements Mauritius, 2017). The WOS is opted by UAE (Dubai), the business hub of Middle East which has highest per capita consumption of liquids among the regional markets of UAE and also in the world, which ensures good opportunity of investment. Sharjah Airport International Free Zone provides business incentives like simplicity for establishing business. The benefits like 100% foreign ownership, non applicability of personal as well as corporate income tax. Licenses are given on the same day. Similarly, Dubai Multi Commodity Centre (DMCC) near Jumeirah Lakes Towers allows 100% foreign ownership, less restrictions on labor, nil customs duty, excellent airport and seaport availability.

A stable and a better investment climate, encourages FDI inflows (UAE Government, 2017). Secondly, it is seen that the companies in Singapore are using WOS as a mode of entry because it being a less technology intensive, low political risk in host country and ease of tapping the host country influences our company foreign commitment to this mode. This industry is raw material oriented and the locations where various firms have set up the manufacturing facilities like Mauritius and Singapore have good cultivation of sugarcane, which is the raw material for sugar industry. The Multi-Annual Adaptation Strategy (MAAS) 2006-15, was set up for ensuring the long-term viability of the sugar industry, and promoted manufacturing of alternative goods related to cane production for the production of ethanol and electricity generation from bagasse as well as coal (National Productivity and Competitiveness Council, 2014).

4.1.14 TEXTILE

Only 6.25% have opted for JV out of the 17 companies and rest have opted for WOS. In Indonesia, JV is opted as the business environment in Indonesia is challenging. It was ranked 72 out of 190 countries in the Ease of Doing Business report 2018 given by the World Bank. It is time-consuming to enter the market.

Laws are often opaque or conflicting. Competition from countries like China, Korea, France and Singapore is very intense (U.S. Department of State's Investment Climate Statement, 2018). In Ethiopia both domestic & foreign entities have the right to acquire and establish their business enterprises. Ethiopia rapidly is becoming an attractive destination for textile manufacturing because of competitive labour costs, low energy costs and various government incentives. In Austria, Financial incentives are equally available to foreign and domestic investors which include tax incentives, loan guarantees, grants and preferential loans. Tax allowances are also available for employee training, also there is availability of R&D expenditures.

The seed financing for initial start-ups up to 80% is available, which leads to choose WOS as the preferred mode. Similarly, Cyprus is a strategic location with presence near to Asia, Europe, and Africa, making managing regional business easy with low corporate tax at 12.5 percent and a liberal investment regime (Ministry of Interior-Cyprus Investment Programme, 2018). Netherlands is an open economy with no foreign ownership quotas, with exception of certain limitations in sectors, lower financing costs and stable macroeconomic climate, very productive labour force and high-quality good quality infrastructure. It is a strategic location which is anchored by the largest seaport and fourth largest airport in Europe (UNCTAD, 2019).

4.1.15 TOBACCO AND TOBACCO PRODUCTS

No investments are seen within the period of July 2007 To December 2017 in this industry of the manufacturing sector.

4.1.16 VEGETABLE OIL AND VANASPATI

No investments are seen within the period of July 2007 To December 2017 in this industry of the manufacturing sector

4.1.17 VEHICLE AND TRANSPORT EQUIPMENT

It is seen from the analysis that 23.68% companies have opted for joint venture as their pathway and rest have opted for WOS because sector is highly technology intensive and WOS will minimize the risk of losing control and offers good control over global operations. The automobile sector is supported by high availability of engineers, large number of part supplier, low cost of labour, stable cost of power and reduction of tarrif parts. Certain examples can be there where it can be said that JV was necessary like OMAN, where according to U.S.-Oman foreign trade agreement on January 1, 2009, all U.S. firms may establish fully owned business but in case of non-American firms ownership is 30 percent but it ca vary upto 51 percent is owned by an Omani who is into practice of degree in a specialized field before MOCI will approve the license (International Trade Administration, 2011).

In South Africa, the volatile exchange rate, high inflation history and continuous change in mandatory industrial localization requirement for foreign suppliers makes it risky to do the business**.** Since 2012, the South African Government has tightened foreign ownership laws and has the poor state of the public education system (The International Trade Administration Commission (ITAC), 2018)**.** In Hongkong the mode of WOS is opted as Foreign firms are allowed to freely setup their operations without encountering any sort of discrimination. Also there is no restriction over the ownership neither the Capital gains are taxed, nor there is any tax on royalties and dividends. Profits may be very freely converted. There are no preferential policies for foreign investors related to any import and exports. Similarly, there are currently no limits on foreign investment control or ownership in Belgium. There is no discrimination between Belgian and private foreign companies when setting or establishing a remunerative activity.

Dubai Cars and Automotive Zone (DUCAMZ) is providing, easy access to sea and air routes for transportation. It provides 100% foreign ownership; no currency restriction; no corporate taxes for 50 years; no restrictions on maximum import of automobiles; no

import/export duties (Dubai FDI, 2017). Germany with the population of 82.3 million is a very large consumer market in the European Union. U.S. defence and aerospace have maximum trade surplus, every year. Germany organizes world's third-largest trade show for defence as well as aerospace like ILA Berlin Air Show, Aircraft Interiors Expo and AERO, making it a suitable platform for learning capabilities to manufacture. Germany has open business environment, and very less formal market access barriers (International Trade Administration, 2018).

4.1.18 MISCELLANEOUS

These firms have both JV and WOS in equity in the countries like Mauritus and Singapore which have no withholding of Tax on dividends and royalties, no limit on the carrying forward of tax losses and ease of doing business with transparency and legal as well as financial stability.

4.2 Analysis for objective 2

Multinomial Logistic Regression (MLR) model is used where there are more than two categories. This concept is derieved basically from binary logistic regression. The logistic regression is based on natural logarithm (In) of odds. The MLR model helps to predict on the basis of either categorical or continuous explanatory variables to determine the variance within the response variable, for knowing the relative importance of various independent variables. Out of total 102 respondents, 22 respondents have opted for JV, 65 respondents have opted for WOS and 15 respondents have opted for Both modes of entry simultaneously. There were 38 respondents from chemical in which 24 respondents have opted WOS, 7 respondents have opted for JV and rest 7 respondents have opted for Both modes of entry simultaneously.

From cement sector, there was one respondent who has opted WOS as the mode of entry. From the electrical sector, there were 8 respondents, out of which 5 respondents have opted WOS, 2 respondents have opted JV and 1 respondent has opted for Both modes of entry simultaneously. In the engineering sector, there were 12 respondents, out of which 5 respondents have opted for WOS, 6 respondents have opted JV and 1 respondent has opted for Both modes of entry simultaneously. In the food processing sector, there were 13 respondents, out of which 6 respondent have opted WOS, 5 respondents have opted JV and 2 respondents have opted Both modes of entry simultaneously. From gems and jewellery sector, there were 2 respondents and they have opted WOS as the mode of entry. In iron and steel sector 5 responses were recorded and they have opted for WOS as the mode of entry.

From the metal and metal products sector there 3 respondents out of which 2 have opted for WOS and 1 has opted for Both modes of entry simultaneously.There were 5 rubber firms who responded, out of which 3 firms have opted WOS, 1 firm has opted JV and 1 firm has opted for Both modes of entry simultaneously. From the textile sector, 5 firms

responded and all of them opted for WOS. From sugar sector, 2 responses were recorded out of which 1 firm has opted for WOS and another firm has opted for Both modes of entry simultaneously. From the Vehicle manufacturing sector, 8 firms responded out of which 6 firms have opted for WOS, 1 firm has opted for JV and 1 firm has opted for Both modes of entry simultaneously. Baseline category (reference) of the response variable can be selected as baseline or also known as reference category, only the values and interpretation of the parameters would change (Garson, 2009). The study has base category as 'Both' which represents those firms opting for both JV and WOS as the mode of entry in different countries.

The Wald test (also called the Wald Chi-Squared Test) helps in finding out whether explanatory variables in a model are significant or not. "Significant" means that they add something to the model. "Statistical significance should not be the sole criterion for whether to include a term in a model. This may help to reduce bias in estimating effects for other different predictors and may make it possible to compare results with other studies where the effect are significant" Agresti (2007)**.** Cronbach's alpha is the internal consistency coefficients.

The pseudo R square value like McFadden is the log likelihood of the intercept model which is known as the total sum of squares and the log likelihood of the full model which is known as the sum of squared errors. Cox & Snell's represents the ratio of the likelihoods. If the value is small, it explains that full model fits better than the intercept model.

The Wald test and its *p*-value determines whether the logistic coefficient is different from zero or not. The Exp(B) signifies the odds ratio associated with each value of the predictor. If p-value < 0.10, null hypothesis is rejected, this signifies that the coefficients are not same or are not equal to zero. Wald test statistics of the predictors, is derived by dividing the square of the predictor's

estimate by the square of its Standard Error (S.E). It evaluates whether the independent variable is statistically significant to differentiate between the groups which are having binary logistic comparisons. When the odds ratio > 1 it means that the risk of the outcome for falling in the compared group increases w.r.t the referent group and vice versa. For a given predictor with a level of 90% confidence, signifies that multinomial odds ratio lies between the lower and upper limit of the interval. It is calculated as the Exp **(**B ($z_{\alpha/2}$)*(Std.Error)), where $z_{\alpha/2}$ signifies the critical value as per the normal distribution. MLR has the assumptions like, dependent variable should be nominal scale with one or more independent variables which can have continuous, ordinal or nominal scale**,** independence of options should exist. The dependent variable should have mutually exclusive and exhaustive categories.

If there are 'n' independent observations with 'p' no. explanatory variables and there are k categoriesof response variable, for showing the logits of the multinomial case, one category can be taken as the base level and all the different logits are made relative to it. Any categoryof researchers choice can be taken as the base level. Let us suppose 'k' category is the base level. Suppose 'πj' shows the multinomial probability of an observation, falling in jth category, the MLR model is

$$\log\left[\frac{\pi_j(x_i)}{\pi_k(x_i)}\right] = \alpha_{0i} + \beta_{1j}x_{1i} + \beta_{2j}x_{2i} + \ldots + \beta_{pj}x_{pi},$$

Where j= 1, 2, …, (k-1), i = 1, 2, … ,n.

4.2.1 Industry specific factors

Table 4.1 Model Fitting Information

Model	Model Fitting Criteria	Likelihood Ratio Tests		
	-2 Log Likelihood	Chi-Square	Df	Sig.
Intercept Only	183.577			
Final	130.724	52.853	12	.000

Source- Research findings

Table 4.2 Likelihood Ratio Tests

Effect	Model Fitting Criteria	Likelihood Ratio Tests		
	-2 Log Likelihood of Reduced Model	Chi-Square	df	Sig.
Intercept	147.268	16.544	2	.000
Mandortyinvestment	139.262	8.539	2	.014
Market barrier	137.154	6.430	2	.040
Easy acess to natural resource	135.519	4.796	2	.091
Degree of internationalization	137.604	6.880	2	.032
Research intensity	143.526	12.803	2	.002
Competition intensity	137.429	6.705	2	.035

Source- Research findings

In MLR, it becomes relevant to tell the overall relationship between the dependent and independent variables. Model fitting information in table 4.1 and 4.2 above, reveals the relationship between the dependent and independent variables and shows that probability of the model chi-square 52.853 was 0.000, which is less than the significance level of 0.10 (i.e. $p < 0.10$). Null hypothesis states that there is no significant difference between the model without explanatory variables and with explanatory variables but as significan value is less than 0.10, it is rejected.

“Intercept Only” shows that the model fits an intercept for predicting the outcome variable. "Final" includes the predictor variables which maximizes the log likelihood of the outcomes. The predictor variables are included in the the "Final" model which helps to improve the "Intercept Only" model. This can be noted through the differences in the -2(Log Likelihood) values in the models. The -2(Log Likelihood) is the product of -2 and the log likelihoods of the null model as well as the fitted "final" model, which can be calculated by -2*L(null model) – (-2*L(fitted model)) = 183.577 – 130.724 = 52.853. The degrees of freedom of theis used for testing the Chi-Sqare statistic and is defined as the number of predictors in the given model (six predictors). The probability of chi-square statistic which is 52.853, can be obtained, if there is no effect of the predictor variables.

Table 4.3 Pseudo R-Square

Cox and Snell	.404
Nagelkerke	.484
McFadden	.288

Source- Research findings

In the above table 4.3 Cox and Snell R and Nagelkerke R square values are 0.404 and 0.484 respectively, which signifies that there is 40% to 48% of the variability, explained by the variables which are used in the model.

Table 4.4 Classification

Observed	Predicted			
	JV	WOS	both	Percent Correct
JV	6	14	2	27.3%
WOS	1	61	3	93.8%
Both	1	7	7	46.7%
Overall Percentage	7.8%	80.4%	11.8%	72.5%

Source- Research findings

Table 4.5 Parameter Estimates

mode of entry[a]		B	Std. Error	Wald	df	Sig.	Exp(B)	90% Confidence Interval for Exp(B)	
								Lower Bound	Upper Bound
JV	Intercept	-2.030	1.361	2.225	1	.136			
	Mandatory investment	1.388	.566	6.022	1	.014	4.007	1.580	10.160
	Market barrier	1.156	.589	3.856	1	.050	3.177	1.119	6.829
	Easy access to natural resource	.133	.368	.130	1	.719	1.142	.623	2.091
	Degree of internationalization	-1.300	.542	5.759	1	.016	.273	.112	.664
	Research intensity	1.218	.511	5.681	1	.017	3.379	1.458	7.830
	Competition intensity	.689	.445	2.392	1	.122	1.991	.957	4.142

WOS	Intercept	-6.126	1.855	10.908	1	.001			
	Mandatory investment	1.380	.562	6.038	1	.014	3.976	1.578	10.016
	Market barrier	-1.264	.577	4.795	1	.029	.283	.109	.730
	Easy access to natural resource	.655	.364	3.246	1	.072	1.926	1.059	3.502
	Degree of internationalization	.975	.515	3.583	1	.058	2.651	1.162	6.880
	Research intensity	1.559	.501	9.689	1	.002	4.752	2.085	10.829
	competition intensity	1.019	.428	5.673	1	.017	2.769	1.370	5.596

a. The reference category is: both.

Source- Research findings

From the table 4.4 above, the accuracy of the model including Industry specific factors is 72.5%, giving the evidence that model is useful. The upper part of the table 4.5, describes the determinants associated for choosing JV as the entry mode and the lower section of the table 4.5, describes about the determinants impacting the choice for WOSas the mode of entry. The table 4.5 reveals the estimated MLR coefficients for the models. It estimates *k-1* models, where *k* is the number of levels of the outcome variable. In this instance, SPSS is treating 'Both' as the referent group

JV to Both

Intercept- The intercept for preferring JV to Both is -2.030, when model is evaluated at zero value.

- **Mandatory investment**- If mandatory investment amount increases by one unit, the log-odds of opting JV to Both will increase by 1.388 units, when all other variables are kept constant. Wald test value for mandatory investment is 6.022 with p-value of 0.014. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for JV to Both, is statistically different from zero for mandatory investment amount. If there is increase

in mandatory investment by one unit, the Exp (B) i.e. the relative risk for preferring JV to Both is expected to increase by 4.007 units, keeping other variables same.

- **Market barrier**- If the market barrier increases by one unit, the log-odds of opting JV to Both will increase by 1.156 units, when all other variables are kept constant. Wald test value for market barrier is 3.856 with p-value of 0.050. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for JV to Both, is statistically different from zero for market barrier. If there is increase market barrier by one unit, the Exp (B) i.e. the relative risk for preferring JV to Both is expected to increase by 3.177 units, keeping other variables same.

- **Easy acess to natural resource**- If ease of accessing natural resource increases by one unit, the log-odds of opting JV to Both will increase by 0.133 units, when all other variables are kept constant. Wald test value for ease of accessing natural resource is 0.130 with p-value of 0.719. At 10% significance level, it can be said that null hypothesis is true and cannot be rejected. So, there can be a conclusion that regression coefficient for JV to Both, is not statistically different from zero for ease of accessing natural resource. If there is increase in ease of accessing natural resource by one unit, the Exp (B) i.e. the relative risk for preferring JV to Both is expected to increase 1.142 units, keeping other variables same.

- **Degree of internationalization**- If degree of internationalization increases by one unit, the log-odds of opting JV to Both will decrease by 1.300 units, when all other variables are kept constant. Wald test value for degree of internationalization is 5.759 with p-value of 0.016. At 10% significance

level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for JV to Both, is statistically different from zero for degree of internationalization. If there is increase in degree of internationalization by one unit, the Exp (B) i.e. the relative risk for preferring JV to Both is expected to decrease by 0.273 units, keeping other variables same.

- **Research intensity**- If research intensity increases by one unit, the log-odds of opting JV to Both will increase by 1.218 units, when all other variables are kept constant. Wald test value for research intensity is 5.681 with p-value of 0.017. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for JV to Both, is statistically different from zero for research intensity. If there is increase in research intensity by one unit, Exp (B) i.e. the relative risk for preferring JV to Both increases by 3.379 units, keeping other variables same.

- **Competition intensity**- If competition intensity increases by one unit, the log-odds of opting JV to Both will increase by 0.689 units, when all other variables are kept constant. Wald test value for competition intensity is 2.392 with p-value of 0.122. At 10% significance level, it can be said that null hypothesis is true and cannot be rejected. So, there can be a conclusion that regression coefficient for JV to Both, is not statistically different from zero for competition intensity. If there is increase competition intensity by one unit, Exp (B) i.e. the relative risk for preferring JV to Both increases by 1.991 units, keeping other variables same.

ln(P(mode=JV)/P(mode=both)) = -2.030 + 1.388 mandatory investment + 1.156 market barrier + 0.133 easy access to natural resource - 1.300 degree of internationalization + 1.128 research intensity + 0.689 competition intensity

WOS to Both

Intercept- The logit for preferring WOS to Both is -6.126, when model is evaluated at zero value.

- **Mandatory investment**- If mandatory investment increases by one unit, the log-odds of opting WOS to Both is increase by 1.380 units, when all other variables are kept constant. Wald test value for mandatory investment is 6.038 with p-value of 0.014. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for WOS to Both, is statistically different from zero for mandatory investment. If there is increase in mandatory investment by one unit, Exp (B) i.e. the relative risk for preferring WOS to Both will increase by 3.976 units, keeping other variables same.

- **Market barrier**- If market barrier increases by one unit, the log-odds of opting WOS to Both will decrease by 1.264 units, when all other variables are kept constant. Wald test value for market barrier is 4.795 with p-value of 0.029. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for WOS to Both is statistically different from zero for market barrier. If there is increase in market barrier by one unit, Exp (B) i.e. the relative risk for preferring WOS to Both will decrease by 0.283 units, keeping other variables same.

- **Easy access to natural resource**- If ease of accessing natural resource increases by one unit, the log-odds of opting WOS to Both increases by 0.655 units, when all other variables are kept constant. Wald test value for ease of accessing natural resource is 3.246 with p-value of 0.072. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for WOS to Both, is statistically different from zero. If there is increase easy access to natural resource by one unit, Exp (B) i.e. the relative risk for preferring WOS to Both will increase by 1.926 units, keeping other variables same.

- **Degree of internationalization** - If degree of internationalization increases by one unit, the log-odds of opting WOS to Both will increase by 0.975 units, when all other variables are kept constant. Wald test value for degree of internationalization is 3.583 with p-value of 0.058. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion regression coefficient for WOS to Both, is statistically different from zero for degree of internationalization. If there is increase in degree of internationalization by one unit, Exp (B) i.e the relative risk for preferring WOS to Both will increase by 2.651 units, keeping other variables same.

- **Research intensity**- If research intensity increases by one unit, the log-odds of opting WOS to Both will increase by 1.559 units, when all other variables are kept constant. Wald test value for research intensity is 9.689 with p-value of 0.002. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for WOS to Both, is statistically different from zero for research intensity. If there is increase in research intensity by one unit, Exp (B) i.e. the relative risk for preferring WOS to Both will increase by 4.752 units, keeping other variables same.

- **Competition intensity**- If competition intensity increases by one unit, the log-odds of opting WOS to Both will increase by 1.019 units, when all other variables are kept constant. Wald test value for competition intensity is 5.673 with p-value of 0.017. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for WOS to Both, is statistically different from zero. If there is increase in competition intensity score by one unit, Exp (B) i.e. the relative risk for preferring WOS to Both will increase by 2.769 units, keeping other variables same.

ln(P(mode=WOS)/P(mode=both)) = -6.126 + 1.380 mandatory investment -1.264 market barrier + 0.655 easy access to natural resource + 0.975 degree of internationalization + 1.559 research intensity + 1.019 competition intensity

4.2.2 Firm specific factors

Table 4.6 Model Fitting Information (**Source** –Research findings)

	Model Fitting Criteria	Likelihood Ratio Tests		
Model	-2 Log Likelihood	Chi-Square	Df	Sig.
Intercept Only	183.577			
Final	95.925	87.651	32	.000

Table 4.7 Likelihood Ratio Tests

Effect	Model Fitting Criteria	Likelihood Ratio Tests		
	-2 Log Likelihood of Reduced Model	Chi-Square	df	Sig.
Intercept	113.506	17.581	2	.000
Appetite for risk	102.192	6.266	2	.044
Production process	103.649	7.723	2	.021
Firm_service quality	111.159	15.234	2	.000
Economies of scale	101.166	5.241	2	.073
Brand image	116.032	20.107	2	.000
Global marketing channel	96.474	.549	2	.760
Changing competitive price	110.877	14.952	2	.001
Better knowledge of consumer taste	108.830	12.905	2	.002
Adapt to different market	108.709	12.784	2	.002
Percieved_abilty	113.245	17.319	2	.000
Firm research strategy	96.114	.188	2	.910
Sound liquidity	103.425	7.500	2	.024
Intensive investment advanced technology	103.541	7.616	2	.022
Qualtity of companyproduct	97.034	1.109	2	.574
Large firmsize	109.612	13.687	2	.001
Expertise in managing largecomplex	101.133	5.208	2	.074

Source- Research findings

Table 4.8 Pseudo R-Square

Cox and Snell	.577
Nagelkerke	.691
McFadden	.477

Source- Research findings

Figure 4.6 and 4.7 gives the information of model fitting. The probability value of chi-square given in the table is (87.651) is 0.000, which is less than 10% alpha level and so null hypothesis stating that there is difference between the model with and without explanatory variables can be rejected. The degrees of freedom is reflected by the number of predictors in the model (sixteen predictors). In the above table 4.8 Cox and Snell R and Nagelkerke R square values is 0.577 and 0.691 respectively, which reveals that the variability explained by the variables is 57% to 69%.

Table 4.9 Classification

	Predicted			
Observed	JV	WOS	Both	Percent Correct
JV	9	13	0	40.9%
WOS	4	60	1	92.3%
Both	0	2	13	86.7%
Overall Percentage	12.7%	73.5%	13.7%	80.4%

Source- Research findings

From the table above, the accuracy for the model including firm specific factors is 80.4% which gives the evidence that the model was useful.

Table 4.10 Parameter Estimates

Mode of entry		B	Std. Error	Wald	Df	Sig.	Exp(B)	90% Confidence Interval for Exp(B)	
								Lower Bound	Upper Bound
JV	Intercept	21.182	9.098	5.420	1	.020			
	Appetite for risk	2.183	1.324	2.720	1	.099	8.877	1.006	78.345
	Production process	-3.193	1.463	4.760	1	.029	.041	.004	.456
	Firm service quality	3.028	1.353	5.009	1	.025	20.651	2.231	191.140
	Economies of scale	-.755	.881	.733	1	.092	.470	.110	2.003
	Brand image	-4.170	1.742	5.732	1	.017	.015	.001	.271
	Global marketing channel	-.254	.871	.085	1	.771	.776	.185	3.252
	Changing competitive price	-2.666	1.248	4.565	1	.033	.070	.009	.541
	Better knowledge of consumer taste	3.968	1.919	4.275	1	.039	52.884	2.251	1242.610
	Adapt to different market	-3.163	1.478	4.582	1	.032	.042	.004	.481
	Percieved abilty	2.801	1.299	4.648	1	.031	16.460	1.942	139.470
	Firm research strategy	-.448	1.103	.165	1	.685	.639	.104	3.922
	Sound liquidity	-1.775	1.057	2.821	1	.093	.170	.030	.964
	Intensive investment advanced technology	2.434	1.419	2.941	1	.086	11.404	1.104	117.737
	Qualtity of company product	-.882	1.291	.467	1	.494	.414	.050	3.458
	Large firm size	.963	.921	1.093	1	.296	2.619	.576	11.913
	Expertise in managing large and complex markets	-1.242	.950	1.712	1	.191	.289	.061	1.377

WOS	Intercept	15.071	9.113	2.735	1	.098			
	Appetite for risk	2.269	1.305	3.022	1	.082	9.671	1.130	82.774
	Production process	-2.484	1.434	3.001	1	.083	.083	.008	.882
	Firm service quality	2.810	1.314	4.571	1	.033	16.609	1.912	144.288
	Economies of scale	.016	.866	.000	1	.086	1.016	.245	4.219
	Brand image	-3.798	1.723	4.860	1	.027	.022	.001	.381
	Global marketing channel	-.466	.865	.291	1	.590	.627	.151	2.602
	Changing competitive price	-2.956	1.201	6.062	1	.014	.052	.007	.375
	Better knowledge of consumer taste	4.207	1.897	4.918	1	.027	67.138	2.964	1520.818
	Adapt to different market	-3.170	1.464	4.692	1	.030	.042	.004	.466
	Percieved abilty	3.041	1.274	5.697	1	.017	20.929	2.574	170.167
	Firm research strategy	-.400	1.043	.147	1	.071	.670	.121	3.724
	Sound liquidity	-2.129	1.056	4.059	1	.044	.119	.021	.677
	Intensive investment advanced technology	2.612	1.396	3.502	1	.061	13.624	1.372	135.290
	Qualtity of company product	-1.056	1.266	.696	1	.404	.348	.043	2.790
	Large firm size	2.032	.887	5.243	1	.022	7.627	1.772	32.829
	Expertise in managing large and complex markets	-1.577	.939	2.820	1	.093	.207	.044	.968

a. The reference category is: both.

Source- Research findings

The upper half of the table 4.10 reveals the determinants affecting the choice of JV as the entry mode and the lower half shows the determinants affecting the choice of WOS. The above table shows the estimated MLR coefficients for the models.

JV to Both

Intercept- The logit for preferring JV to Both is 21.182, when model is evaluated at zero value.

- **Appetite for risk** - If appetite for risk increases by one unit, log-odds of opting JV to Both will increase by 2.183 units, when all other variables are kept constant. Wald test value for appetite for risk is 2.720 with p-value of 0.099. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for JV to Both, is statistically different from zero for risk appetite. If there is increase in risk in appetite by one unit, Exp (B) i.e. the relative risk for preferring JV to Both will increase by 8.877 units, keeping other variables same.

- **Production process** - If production process strength increases by one unit, the log-odds of opting JV to Both will decrease by 3.193 units, when all other variables are kept constant. Wald test value for production process strength is 4.760 with p-value of 0.029. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for JV to Both is statistically different from zero for production process strength. If there is an increase in production process strength by one unit, Exp (B) i.e. the relative risk for preferring JV to Both will decrease by 0.315 units, keeping other variables same.

- **Firm service quality** - If service quality increases by one unit, the log-odds of opting JV to Both will increase by 3.028 units, when all other variables are kept constant. Wald test value for service quality is 5.009 with p-value of 0.025. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for JV to Both, is statistically different from zero for service quality. If there is increase in service quality by one unit, Exp (B) i.e. the

relative risk for preferring JV to Both will increase by 20.651 units, keeping other variables same.

- **Economies of scale** - If economies of scale increases by one unit, the log-odds of opting JV to Both will decrease by 0.755 units, when all other variables are kept constant. Wald test value for economies of scale is 0.733 with p-value of 0.092. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for JV to Both, is statistically different from zero for economies of scale. If there is increase in economies of scale by one unit, Exp (B) i.e. the relative risk for preferring JV to Both will decrease by 0.470 units, keeping other variables same.

- **Brand image**- If brand image increases by one unit, the log-odds of opting JV to Both will decrease by 4.170 units, when all other variables are kept constant. Wald test value for brand image is 5.732 with p-value of 0.017. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for JV to Both, is statistically different from zero for brand image. If there is increase in brand image by one unit, Exp (B) i.e. the relative risk for preferring JV to Both will decrease by 0.015 units, keeping other variables same.

- **Global marketing channel**- If global marketing channels increases by one unit, the log-odds of opting JV to Both will decrease by 0.254 units, when all other variables are kept constant. Wald test value for global marketing channels is 0.085 with p-value of 0.771. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for JV to Both, is not statistically different from zero for global marketing channels. If there is

increase in global marketing channel by one unit, Exp (B) i.e. the relative risk for preferring JV to Both will decrease by 0.776 units, keeping other variables same.

- **Changing competitive price**- If competitive prices increases by one unit, the log-odds of opting JV to Both will decrease by 2.666 units, when all other variables are kept constant. Wald test value for competitive prices is 4.565 with p-value of 0.033. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for JV to Both, is statistically different from zero for competitive prices. If there is increase in changing competitive price by one unit, Exp (B) i.e. the relative risk for preferring JV to Both will decrease by 0.070 units, keeping other variables same.

- **Better knowledge of consumer taste** - If knowledge of consumer taste increases by one unit, the log-odds of opting JV to Both will increase by 3.968 units, when all other variables are kept constant. Wald test value for knowledge of consumer taste is 4.275 with p-value of 0.039. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for JV to Both, is statistically different from zero for knowledge of consumer taste. If there is increase in better knowledge by one unit, Exp (B) i.e. the relative risk for preferring JV to Both will increase by 52.884 units, keeping other variables same.

- **Adapt to different market**- If adaption to different market increases by one unit, the log-odds of opting JV to Both will decrease by 3.163 units, when all other variables are kept constant. Wald test value for adaption to different market is 4.582 with p-value of 0.032. At 10% significance level,

it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for JV to Both, is statistically different from zero for adaption to different market. If there is increase in adaptability to different market by one unit, Exp (B) i.e. the relative risk for preferring JV to Both will decrease by 0.042 units, keeping other variables same.

- **Perceived ability**- If perceived ability increases by one unit, the log-odds of opting JV to Both will increase by 2.801 units, when all other variables are kept constant. Wald test value for perceived ability is 4.648 with p-value of 0.031. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for JV to Both, is statistically different from zero for perceived ability. If there is increase in perceived ability by one unit, Exp (B) i.e. the relative risk for preferring JV to Both will increase by 16.460 units, keeping other variables same.

- **Firm research strategy**-If research strategy increases by one unit, the log-odds of opting JV to Both will decrease by 0.448 units, when all other variables are kept constant. Wald test value of research strategy is 0.165 with p-value of 0.085. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for JV to Both, is statistically different from zero. If there is increase in research strategy by one unit, Exp (B) i.e. the relative risk for preferring JV to Both will decrease by 0.639 units, keeping other variables same.

- **Sound liquidity**- If sound liquidity increases by one unit, the log-odds of opting JV to Both will decrease by 1.775 units, when all other variables are

kept constant. Wald test value for sound liquidity is 2.821 with p-value of 0.093. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for JV to Both, the regression coefficient is statistically different from zero for sound liquidity. If there is increase in sound liquidity by one unit, Exp (B) i.e. the relative risk for preferring JV to Both will decrease 0.170 units, keeping other variables same.

- **Intensive investment advanced technology**- If intensive investment in advanced technology increases by one unit, the log-odds of opting JV to Both will increase by 2.434 units, when all other variables are kept constant. Wald test value for intensive investment in advanced technology is 2.941 with p-value of 0.086. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for JV to Both, is statistically different from zero for intensive investment in advanced technology. If there is increase in investment in advanced technology by one unit, Exp (B) i.e. the relative risk for preferring JV to Both will increase by 11.404 units, keeping other variables same.

- **Qualtity of company product** - If qualtity of company product increases by one unit, the log-odds of opting JV to Both will decrease by 0.882 units, when all other variables are kept constant. Wald test value for qualtity of company product is 0.467 with p-value of 0.494. At 10% significance level, it can be said that null hypothesis is true and cannot be rejected. So, there can be a conclusion that regression coefficient for JV to Both, is not statistically different from zero. If there is increase in quality by one unit, Exp (B) i.e. the relative risk for preferring JV to Both will decrease by 0.414 units, keeping other variables same.

- **Large firm size** -If large firm size increases by one unit, the log-odds of opting JV to Both will increase by 0.963 units, when all other variables are kept constant. Wald test value for large firm size is 1.093 with p-value of 0.296. At 10% significance level, it can be said that null hypothesis is true and cannot be rejected. So, there can be a conclusion that regression coefficient for JV to Both, is not statistically different from zero. If there is increase in firm size by one unit, Exp (B) i.e. the relative risk for preferring JV to Both will increase by 2.619 units, keeping other variables same.

- **Expertise in managing large and complex markets** -If experise for managing large complex firms increases by one unit, the log-odds of opting JV to Both will decrease by 1.242 units, when all other variables are kept constant. Wald test value for experise for managing large complex firms is 1.712 with p-value of 0.191. At 10% significance level, it can be said that null hypothesis is true and cannot be rejected. So, there can be a conclusion that regression coefficient for JV to Both, is not statistically different from zero. If there is increase in managing complex firm score by one unit, Exp (B) i.e. the relative risk for preferring JV to Both will decrease by 0.289 units, keeping other variables same.

ln(P(mode=JV)/P(mode=both)) = 21.182 + 2.183 appetite for risk - 3.193 production process + 3.028 firm service quality - 0.755 economies of scale - 4.170 brand image -0.254 global marketing channel - 2.666 changing competitive price + 3.968 better knowledge of consumer taste - 3.163 adapt to different market +2.801perceived ability - 0.448 firm research strategy -1.775 sound liquidity + 2.434 intensive investment advanced technology -0.882 qualtity of company product + 0.963 large firm size -1.242 expertise in managing largecomplex

WOS to Both

Intercept- The logit for preferring WOS to Both is 15.071, when model is evaluated at zero value.

- **Appetite for risk** - If risk appetite increases by one unit, the log-odds of opting WOS to Both will increase by 2.269 units, when all other variables are kept constant. Wald test value for risk appetite is 3.022 with p-value of 0.082. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for WOS to Both, is statistically different from zero. If there is increase in risk appetite by one unit, Exp (B) i.e. the relative risk for preferring WOS to Both will increase by 9.671 units, keeping other variables same.

- **Production process** - If production process strength increases by one unit, the log-odds of opting WOS to Both will decrease by 2.484 units, when all other variables are kept constant. Wald test value for production process strength is 3.001 with p-value of 0.083. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for WOS to Both, is statistically different from zero for production process strength. If there is increase process strength by one unit, Exp (B) i.e. the relative risk for preferring WOS to Both will decrease by 0.083 units, keeping other variables same.

- **Firm service quality** - If service quality increases by one unit, the log-odds of opting WOS to Both will increase by 2.810 units, when all other variables are kept constant. Wald test value for service quality is 4.571 with p-value of 0.033. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression

coefficient for WOS to Both, is statistically different from zero for service quality. If there is increase in service quality by one unit, Exp (B) i.e. the relative risk for preferring WOS to Both will increase by 16.609 units, keeping other variables same.

- **Economies of scale** - If economies of scale increases by one unit, the log-odds of opting WOS to Both will increase by 0.016 units, when all other variables are kept constant. Wald test value for economies of scale is 0.000 with p-value of 0.086. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for WOS to Both, is statistically different from zero for economies of scale. If there is increase in economies of scale score by one unit, Exp (B) i.e. the relative risk for preferring WOS to Both will increase by of 1.016 units, keeping other variables same.

- **Brand image** - If brand image increases by one unit, the log-odds of opting WOS to Both will decrease by 3.798 units, when all other variables are kept constant. Wald test value for brand image is 4.860 with p-value of 0.027. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for WOS to Both, is statistically different from zero for brand image. If there is increase in brand image by one unit, Exp (B) i.e. the relative risk for preferring WOS to Both will increase by 0.022 units, keeping other variables same.
- **Global marketing channel** - If global marketing channels increases by one unit, the log-odds of opting WOS to Both will decrease by 0.466 units, when all other variables are kept constant. Wald test value of global marketing channels is 0.291 with p-value of 0.590. At 10% significance level, it can be said that null hypothesis is true and cannot be rejected. So,

there can be a conclusion that regression coefficient for WOS to Both, the regression coefficient is not statistically different from zero for global marketing channels. If there is increase in global marketing channel score by one unit, Exp (B) i.e. the relative risk for preferring WOS to Both will decrease by 0.627 units, keeping other variables same.

- **Changing competitive price**- If competitive prices increase by one unit, the log-odds of opting WOS to Both will decrease by 2.938 units, when all other variables are kept constant. Wald test value for competitive prices is 6.062 with p-value of 0.014. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for WOS to Both, is statistically different from zero for competitive prices. If there is increase in changing competitive price by one unit, Exp (B) i.e. the relative risk for preferring WOS to Both will decrease by 0.052 units, keeping other variables same.

- **Better knowledge of consumer taste**- If knowledge of consumer taste increase by unit, the log-odds of opting WOS to Both will increase by 4.207 units, when all other variables are kept constant. Wald test value for knowledge of consumer taste is 4.918 with p-value of 0.027. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for WOS to Both, is statistically different from zero for knowledge of consumer taste. If there is increase in knowledge by one unit, Exp (B) i.e. the relative risk for preferring WOS to Both will increase by 67.138 units, keeping other variables same.

- **Adapt to different market**- If adaption to different market increases by one unit, the log-odds of opting WOS to Both will decrease by 3.170 units,

when all other variables are kept constant. Wald test value for adaption to different market is 4.692 with p-value of 0.030. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for WOS to Both, is statistically different from zero for adaption to different market. If there is increase in adaption by one unit, Exp (B) i.e. the relative risk for preferring WOS to Both will decrease by 0.042 units, keeping other variables same.

- **Perceived ability** - If perceived ability increases by one unit, the log-odds of opting WOS to Both will increase by 3.041 units, when all other variables are kept constant. Wald test value for statistic for perceived ability is 5.697 with p-value of 0.017. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for WOS to Both, is statistically different from zero for perceived ability. If there is increase in perceived ability by one unit, Exp (B) i.e. the relative risk for preferring for WOS to Both will increase by 20.929 units, keeping other variables same.

- **Firm research strategy** -If research strategy increases by one unit, the log-odds of opting WOS to Both will decrease by 0.400 units, when all other variables are kept constant. Wald test value for research strategy is 0.147 with p-value of 0.071. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for WOS to Both, is statistically different from zero for research strategy. If there is increase in firms research strategy by one unit, Exp (B) i.e. the relative risk for preferring WOS to Both will decrease by 0.670 units, keeping other variables same.

- **Sound liquidity**- If sound liquidity increases by one unit, the log-odds of opting WOS to Both will decrease by 2.129 units, when all other variables are kept constant. Wald test value for sound liquidity is 4.059 with p-value of 0.044. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for WOS to Both, is statistically different from zero for sound liquidity. If there is increase in sound liquidity by one unit, Exp (B) i.e. the relative risk for preferring WOS to Both will decrease by 0.119 units, keeping other variables same.

- **Intensive investment advanced technology** - If investment in advanced technology increases by one unit, the log-odds of optingWOS to Both will increase by 2.612 units, when all other variables are kept constant. Wald test value for investment is 3.502 with p-value of 0.601. At 10% significance level, it can be said that null hypothesis is true and cannot be rejected. So, there can be a conclusion that regression coefficient for WOS to Both, is not statistically different from zero for intensive investment advanced technology. If there is increase in investment in advanced technology by one unit, Exp (B) i.e. the relative risk for preferring WOS to Both will increase by 13.624 units, keeping other variables same.

- **Qualtity of company product**- If quality of the product increases by one unit, the log-odds of opting WOS to Both will decrease by 1.056 units, when all other variables are kept constant. Wald test value for qualtity of company product is 0.696 with p-value of 0.404. At 10% significance level, it can be said that null hypothesis is true and cannot be rejected. So, there can be a conclusion that regression coefficient for WOS to Both, is not statistically different from zero for quality of the product. If there is

increase in quality score by one unit, Exp (B) i.e. the relative risk for preferring WOS to Both will decrease by 0.348 units, keeping other variables same.

- **Large firm size**-If firm size increases by one unit, the log-odds of opting JV to Both will increase by 2.032 units, when all other variables are kept constant. Wald test value for statistic for firm size is 5.243 with p-value of 0.022. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for WOS to Both, is statistically different from zero for firm size. If there is increase in large firm size score by one unit, Exp (B) i.e. the relative risk for preferring for WOS to Both will increase by 7.627 units, keeping other variables same.

- **Expetise in managing large and complex markets** - If expertise for managing large complex firms increases by one unit, the log-odds of opting JV to Both will decrease by 1.577 units, when all other variables are kept constant. Wald test value for expetise in managing large and complex markets is 2.820 with p-value of 0.093. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for WOS to Both, is statistically different from zero. If there is increase in expertise by one unit, Exp (B) i.e. the relative risk for preferring WOS to Both will decrease by 0.27 units, keeping other variables same.

ln(P(mode=WOS)/P(mode=both)) = 15.071 + 2.269 appetite for risk - 2.484 production process + 2.810 firm service quality + 0.016 economies of scale - 3.798 brandimage - 0.466 global marketing channel - 2.956 changing competitive price + 4.207 better knowledge of consumer taste - 3.170 adapt to different market + 3.041 percieved ability - 0.400 firm research strategy - 2.129 sound liquidity + 2.612 intensive investment in advanced technology -1.056 qualtity of company product +2.032 large firm size - 1.577 expetise in managing large and complex markets

4.2.3 Location specific factors

Table 4.11 Model Fitting Information

	Model Fitting Criteria	Likelihood Ratio Tests		
Model	-2 Log Likelihood	Chi-Square	Df	Sig.
Intercept Only	183.577			
Final	73.476	110.100	38	.000

Source- Research findings

Effect	Model Fitting Criteria	Likelihood Ratio Tests		
	-2 Log Likelihood of Reduced Model	Chi-Square	Df	Sig.
Intercept	79.003	5.527	2	.063
Cheap labour	80.062	6.585	2	.037
Size of hostcountry	79.917	6.440	2	.040
Culture hostcountry	80.029	6.553	2	.038
Logistic cost	97.160	23.684	2	.000
Adaption local taste	87.504	14.028	2	.001
Geo proximity	77.878	4.402	2	.111
Infrastructure	83.599	10.123	2	.006
Long term objectives	91.583	18.106	2	.000
Favourable tax	82.429	8.952	2	.011
Legal property rights	91.983	18.507	2	.000
Adverse home conditions	79.475	5.999	2	.050
Inflation rate	82.463	8.987	2	.011
Currency stability	78.841	5.365	2	.068
Corruption host country	74.501	1.025	2	.599
Gov policy	82.491	9.015	2	.011
Access to local brand in hostcountry	82.326	8.849	2	.012
Low political risk	74.216	.740	2	.691
Easy registration property	73.764	.288	2	.866
Interest rate uncertainty	74.053	.576	2	.750

Table 4.12 Likelihood Ratio Tests

(Source- Research findings)

Model fitting information in the table 4.11 and 4.12 reveals the relationship between the independent as well as dependent variables and shows that probability of chi-square 110.100 i.e 0.000, which is lower than the level of significance of 0.10 (i.e $p < 0.10$). So, null hypothesis is rejected which reveals that the difference exist between the model without explanatory variables and with explanatory variables. This supports the presence of relationship between the explanatory variables and the response variable. The LR Chi-Square statistic can be calculated by -2*L(null model) – (-2*L(fitted model)) = 183.577 – 73.476 = 110.100, where L(null model) is log likelihood with for (Intercept Only) and L(fitted model) means the log likelihood from the final iteration. The degrees of freedom of the chi-square distribution is used to test the LR Chi-Sqare statistic and is reflected by the number of predictors in the model (nineteen predictors).

Table 4.13 Pseudo R-Square

Cox and Snell	.660
Nagelkerke	.791
McFadden	.600

Source- Research findings

In the above table 4.13, Cox and Snell R and Nagelkerke R square values are 0.660 and 0.791 respectively, which means that the variability due to variables the above model is noted to be 66% to 79.1%.

Table 4.14 Classification

	Predicted			
Observed	JV	WOS	both	Percent Correct
JV	16	5	1	72.7%
WOS	2	60	3	92.3%
Both	1	6	8	53.3%
Overall Percentage	18.6%	69.6%	11.8%	82.4%

Source- Research findings

From the table 4.14 above, the predictive accuracy for the present model constituting Location specific factors is 82.4%, showing that the model was useful.

Table 4.15 Parameter Estimates

mode of entry[a]		B	Std. Error	Wald	df	Sig.	Exp(B)	90% Confidence Interval for Exp(B) Lower Bound	Upper Bound
JV	Intercept	7.482	8.207	.831	1	.362			
	Cheap labour	2.497	1.177	4.498	1	.034	12.142	1.751	84.184
	Size of hostcountry	2.369	1.186	3.994	1	.046	10.688	1.521	75.126
	Culture hostcountry	-2.072	1.066	3.778	1	.052	.126	.022	.727
	Logistic cost	-5.272	1.912	7.600	1	.006	.005	.000	.119
	Adaption local taste	3.604	1.661	4.710	1	.030	36.728	2.392	563.863
	Geo proximity	.694	.787	.779	1	.378	2.003	.549	7.308
	Infrastructure	2.850	1.182	5.808	1	.016	17.279	2.471	120.833
	Long term objectives	-4.814	1.783	7.285	1	.007	.008	.000	.153
	Favourable tax	2.061	1.111	3.443	1	.064	7.850	1.263	48.779
	Legal property rights	1.716	.774	4.919	1	.027	5.560	1.558	19.842gggh
	Adverse home conditions	1.829	1.151	2.525	1	.112	6.225	.938	41.323
	Inflation rate	.070	1.118	.004	1	.950	1.073	.171	6.743
	Currency stability	-1.950	1.626	1.438	1	.230	.142	.010	2.064
	Corruption host country	1.252	1.458	.738	1	.390	3.497	.318	38.453
	Gov policy	-2.189	1.168	3.511	1	.061	.112	.016	.765
	Access to local brand in hostcountry	-2.883	1.171	6.060	1	.014	.056	.008	.384
	Low political risk	.477	1.308	.133	1	.716	1.611	.187	13.855
	Easy registration property	-.774	1.561	.246	1	.620	.461	.035	6.008
	Interest rate uncertainty	.749	1.093	.470	1	.493	2.116	.351	12.768

WOS	Intercept	-1.164	7.643	.023	1	.879			
	Cheap labour	2.044	1.097	3.473	1	.062	7.722	1.271	46.903
	Size of hostcountry	2.097	1.124	3.484	1	.062	8.145	1.283	51.715
	Culture hostcountry	-.791	.896	.779	1	.377	.454	.104	1.979
	Logistic cost	-4.713	1.835	6.598	1	.010	.009	.000	.184
	Adaption local taste	3.855	1.599	5.814	1	.016	47.209	3.405	654.581
	Geo proximity	1.155	.722	2.558	1	.110	3.174	.968	10.413
	Infrastructure	2.649	1.080	6.009	1	.014	14.133	2.390	83.574
	Long term objectives	-3.025	1.683	3.231	1	.072	.049	.003	.773
	Favourable tax	.567	.974	.339	1	.560	1.764	.355	8.760
	Legal property rights	-.211	.536	.155	1	.694	.810	.335	1.956
	Adverse home conditions	2.071	1.066	3.774	1	.052	7.935	1.374	45.840
	Inflation rate	1.492	.959	2.421	1	.120	4.445	.918	21.520
	Currency stability	-2.614	1.549	2.850	1	.091	.073	.006	.935
	Corruption host country	1.360	1.354	1.009	1	.315	3.896	.420	36.133
	Gov policy	-1.067	1.084	.970	1	.325	.344	.058	2.045
	Access to local brand in hostcountry	-2.024	.994	4.141	1	.042	.132	.026	.678
	Low political risk	.812	1.238	.430	1	.512	2.252	.294	17.258
	Easy registration property	-.801	1.492	.288	1	.591	.449	.039	5.221
	Interest rate uncertainty	.656	.975	.453	1	.501	1.926	.388	9.572

a. The reference category is: both.

Source- Research findings

The upper half of the table 4.15 reveals those determinants which impact the choice of JV as mode of entry and the lower half reveals those determinants which impact the choice of WOS.

JV to Both

Intercept- The logit for preferring JV to Both is 7.482 , when model is evaluated at zero value.

- **Cheap labour** - If cheap labour increases by one unit, the log-odds of opting JV to Both increase by 2.497 units, when all other variables are kept constant. Wald test value for cheap labour is 4.498 with p-value of 0.034. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for JV to Both, is statistically different from zero for cheap labour. If there is increase in cheap labour by one unit, Exp (B) i.e. the relative risk for preferring JV to Both will increase by 12.142 units, keeping other variables same.

- **Size of host country** - If size of host country increases by one unit, the log-odds of opting JV to Both will increase by 2.369 units, when all other variables are kept constant. Wald test value for size of host country is 3.994 with p-value of 0.046. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for JV to Both, is statistically different from zero for size of host country. If there is increase in size of host country by one unit, Exp (B) i.e. the relative risk for preferring JV to Both will increase by 10.688 units, keeping other variables same.

- **Culture host country**- If culture of the host country increases by one unit, the log-odds of opting JV to Both will decrease by 2.072 units, when all other variables are kept constant. Wald test value for culture of the host country is 3.778 with p-value of 0.052. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for JV to Both, is statistically

different from zero for culture of the host country. If there is increase in culture of host country by one unit, Exp (B) i.e. the relative risk for opting JV to Both will decrease by 0.126 units, keeping other variables same.

- **Logistic cost** - If logistic cost increases by one unit, the multinomial log-odds of opting JV to Both will decrease by 5.272 units, when all other variables are kept constant. Wald test value for logistic cost is 7.600 with p-value of 0.006. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for JV to Both, is statistically different from zero. If there is increase in logistic cost by one unit, Exp (B) i.e. the relative risk for opting JV to Both will decrease by 0.005 units, keeping other variables same.

- **Adaption local taste** - If adaption to local taste increases by one unit, the log-odds of opting JV to Both will increase by 3.604 units, when all other variables are kept constant. Wald test value for adaption to local taste is 4.710 with p-value of 0.030. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for JV to Both is statistically different from zero for adaption to local taste. If there is increase in adaption to local taste by one unit, Exp (B) i.e. the relative risk for opting JV to Both will increase by 36.728 units, keeping other variables same.

- **Free trade agreement** - If free trade agreement increases by one unit, the log-odds of opting JV to Both will increase by 0.694 units, when all other variables are kept constant. Wald test value for free trade agreement is 0.779 with an p-value of 0.378. At 10% significance level, it can be said that null hypothesis is true and cannot be rejected. So, there can be a

conclusion that regression coefficient for JV to Both, is not statistically different from zero for free trade agreement. If there is increase in free trade agreement by one unit, Exp (B) i.e. the relative risk for opting JV to Both will increase by 2.003 units, keeping other variables same.

- **Infrastructure** - If infrastructure increases by one unit, the log-odds of opting JV to Both will increase by 2.850 units, when all other variables are kept constant. Wald test value is 5.808 with p-value of 0.016. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for JV to Both, is statistically different from zero for infrastructure. If there is increase in infrastructure score by one unit, Exp (B) i.e. the relative risk for opting JV to Both would be expected to increase by a factor of 17.279 units, keeping other variables same.

- **Long term objectives** - If long term objectives increases by one unit, the log-odds of opting JV to Both will decrease by 4.184 units, when all other variables are kept constant. Wald test value for long term objectives is 7.285 with p-value of 0.007. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for JV to Both, is statistically different from zero. If there is increase in long term objectives by one unit, Exp (B) i.e. the relative risk for opting JV to Both will decrease by 0.008 units, keeping other variables same.

- **Favourable tax** -If tax increases by one unit, the log-odds of opting JV to Both will increase by 2.061 units, when all other variables are kept constant. Wald test value for tax is 3.443 with p-value of 0.064. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for JV to

Both, is statistically different from zero for tax. If there is increase in favourable tax by one unit, Exp (B) i.e. the relative risk for opting JV to Both will increase by 7.850 units, keeping other variables same.

- **Legal property rights** - If legal property rights protection increase by one unit, the log-odds of opting JV to Both will increase by 1.716 units, when all other variables are kept constant. Wald test value for legal property rights is 4.919 with p-value of 0.027. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for JV to Both, is statistically different from zero for legal property rights protection. If there is increase in legal property rights by one unit, the Exp (B) i.e. the relative risk for opting JV to Both will increase by 5.560 units, keeping other variables same.

- **Adverse home conditions** - If adverse home condition increases by one unit, the log-odds of opting JV to Both will increase by 1.829 units, when all other variables are kept constant. Wald test value for adverse home condition is 2.525 with p-value of 0.112. At 10% significance level, it can be said that null hypothesis is true and cannot be rejected. So, there can be a conclusion that regression coefficient for JV to Both, is not statistically different from zero for adverse home condition. If there is increase in adverse home conditions by one unit, the Exp (B) i.e. the relative risk for opting JV to Both will increase by 6.225 units, keeping other variables same.

- **Inflation rate** - If inflation rate increases by one unit, the log-odds of opting JV to Both will increase by 0.070 units, when all other variables are kept constant. Wald test value for inflation rate is 0.004 with p-value of 1.073.

At 10% significance level, it can be said that null hypothesis is true and cannot be rejected. So, there can be a conclusion that regression coefficient for JV to Both, is not statistically different from zero for inflation rate. If there is increase in inflation rate by one unit, Exp (B) i.e. the relative risk for opting JV to Both will increase by 1.073 units, keeping other variables same.

- **Currency stability** - If there currency stability increases by one unit, the log-odds of opting JV to Both will decrease by 1.950 units, when all other variables are kept constant. Wald test value for currency stability is 1.438 with p-value of 0.142. At 10% significance level, it can be said that null hypothesis is true and cannot be rejected. So, there can be a conclusion that regression coefficient for JV to Both, is not statistically different from zero for currency stability. If there is increase in currency stability by one unit, the Exp (B) i.e. the relative risk for opting JV to Both will decrease by 0.142 units, keeping other variables same.

- **Corruption host country** -If corruption increases by one unit, the log-odds of opting JV to Both will increase by 1.252 units, when all other variables are kept constant. Wald testvalue for corruption in the host country is 0.738 with p-value of 0.390. At 10% significance level, it can be said that null hypothesis is true and cannot be rejected. So, there can be a conclusion that regression coefficient for JV to Both, is not statistically different from zero for corruption. If there is increase in corruption by one unit, the Exp (B) i.e. the relative risk for opting JV to Both will increase by 3.497 units, keeping other variables same.

- **Government policy** -If government policy increases one unit, the log-odds of opting JV to Both will decrease by 2.189 units, when all other variables

are kept constant. Wald test value for government policy is 3.511 with p-value of 0.061. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for JV to Both, is statistically different from zero for government policy. If there is increase in government policy by one unit, the Exp (B) i.e. the relative risk for opting JV to Both will increase by 1.112 units, keeping other variables same.

- **Access to local brand in hostcountry** -If access to local brand increases by one unit, the log-odds of opting JV to Both will decrease by 2.883 units, when all other variables are kept constant. Wald test value for access to local brand statistic is 6.060 with p-value of 0.014. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for JV to Both, is statistically different from zero for accesss to local brand. If there is increase in access by one unit, the Exp (B) i.e. the relative risk for opting JV to Both will decrease by 0.056 units, keeping other variables same.

- **Low political risk**-If political risk increases by one unit, the log-odds of opting JV to Both will increase by 0.477 units, when all other variables are kept constant. Wald test for political risk is 0.133 with p-value of 0.716. At 10% significance level, it can be said that null hypothesis is true and cannot be rejected. So, there can be a conclusion that regression coefficient for JV to Both, is not statistically different from zero for political risk. If there is increase in low political risk by one unit, the Exp (B) i.e. the relative risk for opting JV to Both will increase by 1.611 units, given the other variables are held constant. If there is increase in low political risk score, keeping other variables same.

- **Easy registration property**-If ease of property registration increases by one unit, the log-odds of opting JV to Both will increase by 0.744 units, when all other variables are kept constant. Wald test value for ease of property registration is 0.246 with p-value of 0.620. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for JV to Both, is not statistically different from zero for ease of property registration. If there is increase in easy registration by one unit, the Exp (B) i.e. the relative risk for opting JV to Both will decrease by 0.461 units, keeping other variables same.

- **Interest rate** -If interest rate uncertainty increases by one unit, the log-odds of opting JV to Both will increase by 0.749 units, when all other variables are kept constant. Wald test value for interest rate uncertainty is 0.470 with p-value of 0.493. At 10% significance level, it can be said that null hypothesis is true and cannot be rejected. So, there can be a conclusion that regression coefficient for JV to Both, is not statistically different from zero for interest rate uncertainty. If there is increase in interest rate by one unit, the Exp (B) i.e. the relative risk for opting JV to Both will increase by 2.116 units, keeping other variables same.

ln(P(mode=JV)/P(mode=both)) = 7.482 + 2.497 cheap labour + 2.369 size of host country -2.072 culture host country- 5.272 logistic cost + 3.604 adaption local taste + 0.694 free trade agreement + 2.850 infrastructure - 4.814 long term objectives + 2.061 favourable tax + 1.716 legal property rights + 1.829 adverse home conditions + 0.070 inflation rate -1.950 currency stability + 1.252 corruption - 2.189 gov policy - 2.883 access to local brand in host country + 0.477 political risk - 0.774 easy registration property + 0.749 interest rate uncertainty

WOS to Both

Intercept- The logit for preferring WOS to Both is -1.164, when model is evaluated at zero value.

- **Cheap labour** - If cheap labour increases by one unit, the log-odds of opting WOS to Both will increase by 2.044 units, when all other variables are kept constant. Wald test value cheap labour is 1.097 with p-value of 0.062. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for WOS to Both, is statistically different from zero for cheap labour. If there is increase in cheap labour by one unit, the Exp (B) i.e. the relative risk for opting WOS to Both will increase by 7.722 units, keeping other variables same.

- **Size of host country** - If size of host country increase by one unit, the log-odds of opting WOS to Both will increase by 2.097 units, when all other variables are kept constant. Wald test value for size of host country is 1.124 with p-value of 0.062. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for WOS to Both, is statistically different from zero for size of host country. There is increase in size of the host country by one unit, Exp (B) i.e. the relative risk for opting WOS to Both will increase by 8.145 units, keeping other variables same.

- **Culture host country**- If host country culture increases by one unit, the log-odds of opting WOS to Both will decrease by 0.791 units, when all other variables are kept constant. Wald test value for host country culture is 0.896 with p-value of 0.377. At 10% significance level, it can be said that null hypothesis is true and cannot be rejected. So, there can be a conclusion that regression coefficient for WOS to Both, is not statistically

different from zero for host country culture. If a subject were to increase culture of the host country by one unit, Exp (B) i.e. the relative risk for opting WOS to Both will decrease by 0.454 units, keeping other variables same.

- **Logistic cost** - If logistic cost increases by one unit, the log-odds of opting WOS to Both will decrease by 4.713 units, when all other variables are kept constant. Wald test value for logistic cost is 6.598 with p-value of 0.010. At 10% significance level, it can be said that null hypothesis is true and cannot be rejected. So, there can be a conclusion that regression coefficient for WOS to Both, the regression coefficient is statistically different from zero for logistic cost. If there is increase in logistic cost by one unit, Exp (B) i.e. the relative risk for opting WOS to Both will decrease by 0.009 units, keeping other variables same.

- **Adaption local taste** - If adaption to local taste increases by one unit, the log-odds of opting WOS to Both will increase by 3.855 units, when all other variables are kept constant. Wald test value for adaption to local taste is 5.814 with p-value of 0.016. At 10% significance level, it can be said that null hypothesis is true and cannot be rejected. So, there can be a conclusion that regression coefficient for WOS to Both, is statistically different from zero for adaption to local taste. If there is increase in adaption to local taste by one unit, Exp (B) i.e. the relative risk for opting WOS to Both will increase by 47.209 units, keeping other variables same.

- **Free trade agreement** - If free trade agreement increases by one unit, the log-odds of opting WOS to Both will increase by 1.155 units, when all other variables are kept constant. Wald test value for free trade agreement is 2.558 with p-value of 0.110. At 10% significance level, it can be said that

null hypothesis is true and cannot be rejected. So, there can be a conclusion that regression coefficient for WOS to Both, is not statistically different from zero for free trade agreement. If there is increase in free trade agreement by one unit, Exp (B) i.e. the relative risk for opting WOS to Both will increase by 3.174 units, keeping other variables same.

- **Infrastructure** - If infrastructure increases by one unit, the log-odds of opting WOS to Both will increase by 2.649 units, when all other variables are kept constant. Wald test value for infrastructure is 6.009 with p-value of 0.014. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for WOS to Both, is statistically different from zero for infrastructure. If there is increase in infrastructure by one unit, Exp (B) i.e. the relative risk for opting WOS to Both will increase by 14.133 units, keeping other variables same.

- **Long term objectives** - If long term objectives increase by one unit, the log-odds of opting WOS to Both will decrease by 3.025 units, when all other variables are kept constant. Wald test value for long term objectives is 3.231 with p-value of 0.072. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for WOS to Both, is statistically different from zero for long term objectives. If there is increase in long term objectives by one unit, Exp (B) i.e. the relative risk for opting WOS to Both will decrease by 0.049 units, keeping other variables same.

- **Favourable tax** -If favourable tax increases by one unit, the log-odds of opting WOS to Both will increase by 0.567 units, when all other variables are kept constant. Wald test value for favourable tax is 0.339 with p-value

of 0.560. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for WOS to Both, is not statistically different from zero. If there is increase in favourable tax by one unit, Exp (B) i.e. the relative risk for opting WOS to Both will increase by 1.764 units, keeping other variables same.

- **Legal property rights** - If legal property rights protection increase by one unit, the log-odds of opting WOS to Both will decrease by 0.211 units, when all other variables are kept constant. Wald test value for statistic for legal property rights protection is 0.155 with p-value of 0.694. At 10% significance level, it can be said that null hypothesis is true and cannot be rejected. So, there can be a conclusion that regression coefficient for WOS to Both, is not statistically different from zero for legal property rights. If there is increase in legal property right by one unit, Exp (B) i.e. the relative risk for opting WOS to Both would will decrease by 0.810 units, keeping other variables same.

- **Adverse home conditions** – If adverse home condition increases by one unit, the log-odds of opting WOS to Both will increase by 2.071 units, when all other variables are kept constant. Wald test value for statistic for adverse home condition is 3.774 with p-value of 0.052. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for WOS to Both, is statistically different from zero for adverse home condition. If there is increase in adverse home condition by one unit, Exp (B) i.e. the relative risk for opting WOS to Both will increase by 7.935 units, keeping other variables same.

- **Inflation rate** -If inflation rate increases by one unit, the log-odds of opting WOS to Both will increase by 1.492 units, when all other variables are kept constant. Wald test value for inflation rate is 2.421 with p-value of 0.120. At 10% significance level, it can be said that null hypothesis is true and cannot be rejected. So, there can be a conclusion that regression coefficient for WOS to Both, the regression coefficient for inflation rate is not statistically different from zero for inflation rate. If there is increase in inflation rate by one unit, Exp (B) i.e the relative risk for opting WOS to Both will increase by 4.445 units, keeping other variables same.

- **Currency stability** - If currency stability increases by one unit, the log-odds of opting WOS to Both will decrease by 2.614 units, when all other variables are kept constant. Wald test value for currency stability is 1.009 with p-value of 0.091. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for WOS to Both, is statistically different from zero for currency stability. If there is increase in currency stability by one unit, Exp (B) i.e. the relative risk for opting WOS to Both will decrease by 0.073 units, keeping other variables same.

- **Corruption host country** -If corruption in the host country increases by one unit, the log-odds of opting WOS to Both will increase by 1.360 units, when all other variables are kept constant. Wald test value for corruption in the host country is 0.970 with p-value of 0.325. At 10% significance level, it can be said that null hypothesis is true and cannot be rejected. So, there can be a conclusion that regression coefficient for WOS to Both, is not statistically different from zero. If there is increase in corruption by one unit, Exp (B) i.e. the relative risk for opting WOS to Both will increase by 3.896 units, keeping other variables same.

- **Government policy** -If government policy increases by one unit, the log-odds of opting WOS to Both will decrease by 1.067 unit, when all other variables are kept constant. Wald test value for government policy is 4.141 with p-value of 0.042. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for WOS to Both, is statistically different from zero for government policy. If there is increase in government policy by one unit, Exp (B) i.e. the relative risk for opting WOS to Both will decrease by 0.344 units, keeping other variables same.

- **Access to local brand in hostcountry**-If local brand access increases by one unit, the log-odds of opting WOS to Both will decrease by 2.024 units, when all other variables are kept constant. Wald test value for local brand access is 0.430 with an p-value of 0.512. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for WOS to Both, is not statistically different from zero for local brand access. If there is increase in access by one unit, Exp (B) i.e. the relative risk for opting WOS to Both will decrease by 0.132 units, keeping other variables same.

- **Low political risk** -If political risk increases by one unit, the log-odds of opting WOS to Both will increase by 0.812 units, when all other variables are kept constant. Wald test value for political risk is 0.288 with p-value of 0.591. At 10% significance level, it can be said that null hypothesis is not true and can be rejected. So, there can be a conclusion that regression coefficient for WOS to Both, is not statistically different from zero for low political risk. If there is increase in low political risk by one unit, Exp

(B) i.e. the relative risk for opting WOS to Both will increase by 2.252 units, keeping other variables same.

- **Easy registration property** -If ease of property registration increases by one unit, the log-odds of opting WOS to Both will decrease by 0.801 units, when all other variables are kept constant. Wald test value for ease of property registration is 0.288 with p-value of 0.591. At 10% significance level, it can be said that null hypothesis is true and cannot be rejected. So, there can be a conclusion that regression coefficient for WOS to Both, is not statistically different from zero. If there is increase in easy registration by one unit, Exp (B) i.e. the relative risk for opting WOS to Both will decrease by of 0.449 units, keeping other variables same.

- **Interest rate** - If interest rate uncertainty increases by one unit, the log-odds of opting WOS to Both will increase by 0.656 units, when all other variables are kept constant. Wald test statistic value for interest rate uncertainty is 0.453 with p-value of 0.501. At 10% significance level, it can be said that null hypothesis is true and cannot be rejected. So, there can be a conclusion that regression coefficient for WOS to Both, is not statistically different from zero. If there is increase in interest rate by one unit, Exp (B) i.e. the relative risk for opting WOS to Both will increase by 1.926 units, keeping other variables same.

ln(P(mode=WOS)/P(mode=both))= - 1.164 + 2.044 cheap labour + 2.097 size of host country - 0.791 culture host country - 4.713 logistic cost + 3.855 adaption local taste + 1.155 free trade agreement + 2.649 infrastructure - 3.025 long term objectives + 0.567 favourable tax -0.211 legal property rights + 2.071 adverse home conditions + 1.492 inflation rate - 2.614 currency stability +1.360 corruption -1.067 gov policy - 2.024 access to local brand in host country + 0.812 low political risk - 0.801easy registration property + 0.656 interest rate uncertainty

Table 4.16 - Expected effect of determinants on choice of entry mode

Determinants		JV to Both	WOS to Both
Industry specific	• Mandatory investment level	Positive and significant	Positive and significant
	• Market barrier	Positive and significant	Negative and significant
	• Easy access to the natural resources	Positive and Insignificant	Positive and significant
	• Degree of internationalization	Negative and significant	Positive and significant
	• R&D intensity of the industry	Positive and significant	Positive and significant
	• Competition intensity of the industry	Positive and Insignificant	Positive and significant

Firm specific	• Increase appetite to take risk	Positive and significant	Positive and significant
	• Production process strength	Negative and significant	Negative and significant
	• Economies of scale	Negative and significant	Positive and significant
	• Firms brand image and trade mark	Negative and significant	Negative and significant
	• Marketing channel	Negative and Insignificant	Negative and Insignificant
	• Competitive prices	Negative and significant	Negative and significant
	• Better knowledge of consumer taste	Positive and significant	Positive and significant
	• Ability to adapt itself to different markets	Negative and significant	Negative and significant
	• Firms R&D strategy	Negative and Insignificant	Negative and significant
	• Sound liquidity position	Negative and significant	Negative and significant

	• Intensive investment in advanced technology	Positive and significant	Positive and significant
	• Quality of company product	Negative and Insignificant	Negative and Insignificant
	• Perceived ability to handle global expansion	Negative and significant	Negative and significant
	• Large firm size in terms of total sales or total no of employees	Positive and Insignificant	Positive and significant
	• Expertise in managing large and complex markets.	Negative and Insignificant	Negative and significant

Location specific	• Cheap and competitive semi/unskilled labour	Positive and significant	Positive and significant
	• Size of host country market	Positive and significant	Positive and significant
	• Culture in the host region influences company's foreign commitment	Negative and significant	Negative and Insignificant
	• High logistic cost of exports from home country	Negative and significant	Negative and significant
	• Adaptation to local taste and resources	Positive and significant	Positive and significant
	• Access to third country market(capitalising upon preferential /free trade agreement	Positive and Insignificant	Positive and Insignificant

	• Supportive physical and institutional infrastructure in host country	Positive and significant	Positive and significant
	• Promote long term strategic objectives	Negative and significant	Negative and significant
	• Favourable tax regulation	Positive and significant	Positive and Insignificant
	• Strong legal and property rights in host country	Positive and significant	Negative and Insignificant
	• Adverse business conditions in home country	Positive and Insignificant	Positive and significant
	• Inflation rate differential b/w home and host country	Positive and Insignificant	Positive and Insignificant
	• Host country currency stability	Negative and Insignificant	Negative and significant
	• Corruption in the host country	Positive and Insignificant	Positive and Insignificant

	• Government policy toward inward direct Investment in host region	Negative and significant	Negative and Insignificant
	• Access to local brands in host country	Negative and significant	Negative and significant
	• Low political risk in host country influences our company foreign commitment	Positive and Insignificant	Positive and Insignificant
	• Easy registration of land properties in host region influences our company foreign commitment	Negative and Insignificant	Negative and Insignificant
	• Interest rate uncertanity	Positive and Insignificant	Negative and Insignificant

Source- Research findings

4.3 Analysis for objective 3

4.3.1 Case study 1

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IDM: Sustaining Legacy, Creating a Niche

Abstract

The origin of the sports industry can be associated with Sialkot which is now in Pakistan. It was known for its sports goods production before partition. Now the export products from there are sports goods, martial art equipments, leather products, and sports wear. IDM is a family oriented business firm which originated in Sialkot before partition. This firm manufactures sports goods and equipments and exports them. This firm prefers to operate in niche markets by customizing the products.

Global Sports Industry Overview

The global sports industry is worth between €350 billion and €450 billion ($480-$620 billion), according to the recent study of A.T. Kearney on leagues,

different federations, and sports teams. This study was based on requirements for licensed products, construction, and infrastructure construction. According to the report of PWC, the sports market revenues increased at a rate of 3.7% from US $121.4 billion in the year 2010 to US $145.3 billion in the year 2015. The global sports event market including all revenues in the market spended on major sports was worth €45 billion ($64 billion) in 2009. Football (soccer) still remains the king: The overall revenue for this sport is equivalent to €20 billion ($28 billion) annually. In Europe alone, football does the business of €16 billion. As per the report of PWC, the sports market is made up of sponsorships, for associating the product with the team or event. Media rights fee is paid to cable networks, radios, the internet, and also over the mobile devices, Merchandising, includes the selling of licensed products.

Indian Sports Industry: An Introduction

Jalandhar has clusters of sports goods industry. The sports industry origin can be associated with Sialkot which is now in Pakistan. It was known for its sports goods production before partition. The origin of modern sports goods manufacturing industry can be associated with the North-West region before partition of India in 1947. The sports goods industry has been the saviour for different unique traditional skills which have been inherited over generations by different workers. Different high-skill oriented processes helped the industry to survive production systems which are automated. The United Nations Industrial Development Organization (UNIDO) supported sustainable industrial development for different countries. UNIDO is a specialist in industrial affairs. Sialkot is earning $900 million p.a from exports and is known as the export city for sports goods. The major goods which are exported are as follows: sports goods, martial art instruments, surgical instruments, sports wear, leather products and musical instruments. In terms of figures, there are more than 2800 firms

which are manufacturing and exporting surgical goods. The total market of surgical instruments was US $ 30 billion in the year 2008-2009 and the exports from the city of Sialkot were US $ 70,920 thousands in the year 2008-2009. In the current scenario we can see that UNIDO has taken the responsibility for the development of Jalandhar clusters, which is known to as the biggest market of sports goods in India. The city of Meerut is another important destination for sports marketing which has gained huge appreciation for sports marketing. The additional support from the UNIDO helped in adoption of technological innovations, ideas, stimulating networking between foreign partners.

Sports Goods Cluster of Jalandhar

The cluster for industry of sports goods emerged at Jalandhar due to partition, as this sports industry was founded by Sardar Bahadur in 1883 and was earlier operated at Sialkot for manufacturing tennis, footballs, cricket bats, and footballs but after political division in the year 1947, Jalandhar became the hub for the export of sports equipment.

In the Jalandhar cluster, there are basically two locations for sports equipment manufacturing i.e. Basti Nau and Basti Daneshmandan. Due to accelerated growth of the industry manufacturing it has now spread to Industrial Area, Basti Sheikh Road, G.T. Road towards Amritsar etc. There is involvement of skilled workers for achieving good productivity in manufacturing units and are these are located away from residential areas.

IDM : An Export Oriented Sports Manufacturer

IDM had started family business in 1927 in Sialkot and re-established its business in Jalandhar in the year 1952. The family business was started by Ishar Dass Mahajan at Sialkot. After the partition due to non-availability of skilled labour, it was very tough to rescale the business again but intensive efforts were put in for the initial five years for recollecting skilled labour in India. The

foresightedness of some people helped them with technical details at that time. It supported the business in the initial years after partition of India. Till the year 1962, this firm was into domestic business in India and was not involved in exports. At that time one person was operating the business in India, who was the supporter of British sports goods in India. Till the year 1952-1962 IDM strengthened its production base, setup, distribution network, and established its goodwill in the market. By that time the firm was able to settle down and economic activities were restarting in the post independence era. Their focus shifted to expansion and growth. As suggested by experts, export was an obvious entry mode to enter the international market for expansion and growth but after 1962 they were involved in exports of sports goods worldwide. Now they have the experience of more than 50 years in the manufacturing of sports goods. This firm manufactures goods like hockey, cricket balls, cricket bat, cricket gloves, martial arts, protective gears, and is also involved in sports goods handcrafts. They prefer to manufacture niche products and export them to international markets. Before launching a product in the market, the firm prefers to incur the cost on R&D of the goods so as to design the products according to the needs of the customers and to satisfy them. The firm was earlier involved in stiching of footballs manually as it focussed on the quality of products produced. The management believed that manually they could exaggerate the worth of the products. With the passage of time, technological advancements have occurred and laser technology for stitching footballs developed. Now IDM prefers to use it because the rate of competition has increased and the volume of manufacturing has also increased. It is very challenging to manufacture the huge lot of sports equipments manually. In the year 1952 India faced the challenges regarding procurement of labour because after partition very less skilled labour was available in India as they were in Sialkot after partition. Earlier, cricket balls were made from leather and the labour in Sialkot before partition was very well skilled to handle it. Now certain firms use nylon instead of leather.

IDM has expanded its business by reaching customers through participation in trade fair held by the promotion council in various countries and also through personal visits to customers. Today also, if we compare the current scenario of Jalandhar with Sialkot, Jalandhar contributes only 2% to the exports of sports goods due to certain barriers from the government, procurement of raw material, high technological upgradation, and cheap labour in Sialkot. If we compare the current scenario of Jalandhar with Meerut, the latter has more advantages. Meerut has facilities like airport nearby, cheap labour, and VAT was not applicable. The destination which this firm is serving includes Australia, America, Europe, England, and Gulf regions etc. The major markets are U.S, U.K, Australia. This firm is involved in outsourcing of raw material for manufacturing.

Strengths of IDM

The strength of this firm is that it targets only specific customer i.e. it goes for niche marketing with fair deals with them. Research & development is also the major USP of manufacturer. They opt C&F or FOB in accordance with the requirements of the customers.

Problems and challenges

Generally, when a firm is going abroad, it tries to run its business in accordance with the rules and regulations of markets. Cricket balls made up of PVC are not acceptable in Europe. Modifications have to done in the product according to the standards of that country. Procurement of labour and raw material is the main challenge. As customer is king, so modifications as per the requirement of the customer cannot be ignored. There is no testing centre for the manufacturing units to provide necessary testing and certification to meet international

standards. There is not much technical support from the government for development of labour, machinery and for skill development.

The athletic and sports goods manufacturers produce different products for winter sports, fitness, golfing, exercise, shooting etc. As the entry barriers are very few, the industry is characterized by a number of firms which vary in specialization and size, and forward-integration. Their success is determined by brand loyalty of the customer.

Different socio-economic factors affect the demand in the market for this industry. Since athletic products are majorly concerned with leisure, it is a matter of individual preferences and is subject to change in tastes and recent trends. As these products belong to leisure category, they also have to compete with others. Finally, these goods are also affected by demographics, weather conditions, price of complementary goods, and substitute goods.

RECOMMENDATIONS

Literature survey and interaction with industry leaders suggested the following measures for promotion of sports goods and their exports.

1) Common testing facility centres should be provided by the government for providing certification of products and testing as per international standards.
2) Technical support should be upgraded from the side of the government so that there can be more of machinery skill enhancement. Moreover, there is a requirement of specific cell for different products. Medium and small

scale enterprises face labour issues. There is a need for engagement of casual labour for short periods depending on orders/demand.

3) More technical support should be provided by the government for development of labour and machinery. Skill development cell need to be set up for imparting training to the workforce for various products.
4) There is a need to engage labour for short periods depending on demand. As a consequence, labour laws should be more liberal.
5) There are challenges due to scarcity of financial support, lack of raw materials, close vicinity of industrial sites etc.
6) Political, economic, and social commitment on the part of government is required.
7) Infrastructure should be upgraded. Structures and facilities for electricity supply should be replaced by good infrastructure support.

Other challenges that need to be addressed by the government as well as by manufacturers are adopting new technologies, collaboration among industries in terms of transfer of technical know-how, knowledge, business development, and skills. It was further suggested that sports goods industries should pursue research collaboration with international agencies.

Annexure

Table 1. BRIC Sports market by country (US$ Millions)

Country	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Brazil	2890	2919	2931	2910	3231	3180	3303	383	4605	4188
Russia	666	762	749	702	697	715	741	778	2246	871
India	856	916	1095	1185	1489	1534	1530	1648	1831	1899
China	1785	1871	2764	2179	2909	2500	2763	2913	3439	3430

Source: https://www.pwc.com/gx/en/hospitality-leisure/pdf/changing-the-game-outlook-for-the-global-sports-market-to-2015.pdf

Table 2. Merchandising by origin (US$ Million)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
North America	14395	15255	15860	12631	12571	12482	12771	13275	13891	14257
EMEA	2557	2518	2494	2253	2286	2233	2398	2359	2577	2544
Asia Pacific	2023	2165	2444	2285	2350	2427	2387	2455	2571	2762
Latin America	455	475	465	417	417	428	446	560	526	504

Source: https://www.pwc.com/gx/en/hospitality-leisure/pdf/changing-the-game-outlook-for-the-global-sports-market-to-2015.pdf

Table3. Sports industry export from **Sialkot**

Year	Export (Million Rupees)
2010-2011	28028.4
2011-2012	30241.0
2012-2013	32375.2
2013-2014	37259.6
2014-2015	34293.6

Source-: http://www.pbs.gov.pk/sites/default/files//tables/14.2.pdf

Swot of Sports Industry in India

Strength of sports industry in India

1) Strong customer loyalty

2) Niche markets

3) Unique technology

Weakness of sports industry of India

1) Limited product range

2) Lack of patents

3) Low barriers to entry

Opportunities for sports industry of India

1) International expansion

2) Getting into soccer

3) Large market share in female market

Threats of sports industry of India

1) Intense competition
2) Lack of female focus
3) Change in consumer behaviour
4) High risk of product substitution

Table4. Sporting and athletic goods manufacturing (NAICS 33992) (Millions of CDN $, Emplyoment in thousands)

Economic Indicator	2007	2008	2009	2010	2011	2007-2011
Gross Domestic Product	478.9	434.1	364.1	390.6	413.2	-3.6%
Total Import	1354.6	1499.6	1388.3	1419.4	1414.9	1.1%
Domestic Export	417.5	366.5	308.5	274.4	283.5	-9.2%
Domestic Market Share	34.7%	29.2%	28.2%	29.4%	28.6%	-4.7%
Manufacturing Intensity Ratio	42.2%	44.1%	42.7%	45.1%	48.6%	3.6%
Employment	6715	5570	5785	5389	n/a	-7.1%

Source-https://www.ic.gc.ca/eic/site/026.nsf/eng/h_00079.html

(Statistics Canada trade data Online)The North American Industry Classification System (NAICS) code is: 33992 - Sporting and Athletic Goods Manufacturing

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4.3.2 Case study 2

Weston Corporation: Strategy To Explore Global Markets

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Abstract

The sports industry can be traced back from the region of Sialkot which was known for the production of surgical, sports goods and leather products before independence. Weston Corporation was a Jalandhar based firm engaged in manufacturing of sports goods, equipments and their exports. Since the sports sector was providing exciting opportunities for the youth of India, manufacturing the sports items was a good option which had led to development of different strategic business units.

The Sports Goods Industry had been saviour for different unique traditional skills which were inherited over generations by the workers. The different skill oriented processes helped the industry to survive along with automated

production trends. Prior to partition, the business existed as a partnership firm in Pakistan while the firm started its business in India in the year 1962.

The Indian sports goods industry was packed with large number of small manufacturers producing generic goods. Cut throat competition, lack of government support, shrinking profit margins and labour problem were few common challenges for all including Weston Corporation.

The products of this company were sold by the name of Comet. They operate into the markets of South East Asia, Malaysia, Singapore and Bangkok. They were into making of products like tug of war rops, line marking machines used in the sports ground. Such players were looking for technical support from the government for development of labour and machinery, flexible financing, technical support, marketing assistance and skill development. Frequent change in patterns and trends adds to their cost on one hand while tough competition from Pakistan was on another hand in global markets.

The Weston Corporation decided to explore global markets and successfully created niche for itself.

Key words:- Indian sports industry, export, technical support, global markets, niche markets

INTRODUCTION

During last decade, the sports industry had enjoyed steady growth. As per the latest reports of global research and consulting giants like A.T. Kearney and KPMG , the entire global sports market – including infrastructure, events, training and sports goods – was estimated to be of INR 37.8- 44.2 lakh crore (US $ 600-700 billion) equivalent to 1% of global GDP.

This sector was rapidly becoming strategic business choice for number of business houses. The government of India had made the efforts for creating better building capacity and infrastructure. It was having the objective for achieving at their best in different events at the international and national levels.

Table1 - composition of sports industry.

S.No.	Segment	Market Size (2014)
1	Sports events	INR 5.1 lakh crore (US$ 80 billion)
2	Sports apparel, equipment & footwear	INR 19.7 lakh crore (US$ 310 billion)
3	Sports clubs (fitness, health & sports training)	INR 6.7 lakh crore (US$ 105 billion)
4	Infrastructure, food & beverages etc.	INR 6.3 -12.7 lakh crore (US$ 100-200 billion)
	Total	INR 37.8- 44.2 lakh crore (US $ 600-700 billion)

Source:https://www.atkearney.com/documents/10192/5258876/Winning+in+the+Business+of+Sports.pdf/ed85b644-7633-469d-8f7a-99e4a50aadc8

The promotion of sports was the responsibility of National Sports Federations getting funded from the government and organization like Ministry of Youth Affairs and Sports, Sports Authority of India, Indian Olympic Association etc. Have significant contribution in the promotion of sports.

Following factors had been identified by KPMG and other researcher which were responsible for growth of sports industry in India:

1. Increase in Rural viewership
2. Growing female viewership
3. Increase in Sponsorship
4. Addition of sports like football, hockey, wrestling, badminton, tenis along with traditional market of cricket.
5. Entry of corporate and professionals in sports industry
6. Use of technology and social media

Growth in Indian economy had increased our per capita income from 1156 US$ in year 2008 to 1861 US$ in 2016. It had resulted higher purchasing power and more expenditure on sports by Indians specially youth. Emerging markets like India were increasingly playing a bigger role in the professional sporting landscape and had emerged as manufacturer and consumer of sports goods.

The sports industry was driven by the skilled people and was also labour-intensive in nature, it generates employment for greater than 500,000 people. The Indian sports industry exports 60 percent out of its total productivity. In the year 2014–15, different countries like United Kingdom, United states of America, South Africa Australia, Germany, were the preferred export markets for sports goods from India. The other favoured destinations for export of the sport goods were Netherlands France, Canada, Poland and New Zealand. The Sports Goods Industry had been saviour for different unique traditional skills which were inherited over generations by the different workers. The different high-skill oriented processes helped the industry to survive the production systems which were automated.

Different products like cricket bats & leg pads, sports nets, inflatable balls, rugby balls, and athletics and gymnasium equipment hold about 35 per cent share of the total Indian sports goods industry exports, for the year 2014–15.The sports goods industry in India was nearly a century old and had flourished due to the skills of its workforce. The additional support was received from UNIDO for adoption of technological innovations, ideas, stimulating networking between foreign partners. The center of Indian sports industry was in the states of Punjab and Jalandhar in the state of Punjab and Meerut in the state of Uttar Pradesh and Punjab accounting for 75 per cent of total production.

Both have more than 3,000 manufacturing units and total number of exports from both the destinations were greater than 130. In Jalandhar 60% manufacturing was of the different varieties of inflatable balls. Exccept the above two destinations other cities like Kolkatta, Mumbai and Chennai was also of manufacturing of sports goods but the productivity was at the low scale.

India's sports goods market operations was growing into the international dimensions to increase its credibility .Indian sporting goods were well known around the world and have made a mark in the global sports goods market. In 2014-15, India exported sports goods worth US$ 274.68 million and registered a 16% growth rate as compared to 2013-14 (US$ 236.45 million).

In regard to the contribution of the sports goods industry for the year 2005, the European Union touches 3.75 percent of the GDP, for Japan 3.89 per cent in United states it was 3.35 percent, it can be noticed that the contribution was less than 5 percent and contributed very small value. In developed countries like Canada and developing countries like China the contribution was only 1 per cent of the GDP. For USA in the year 2016, contribution of arts, entertainment,

recreation & others was of US $ 749 billion and sports was part of this segment only.

Agrawal (1982) concluded about opportunities and challanges of sports good industry from developing country. Kavoussi R.M. (1984) highlighted role of exports and its effect on industry. Peter et al (1998) discussed about overseas market entry strategies.

The Industry of sports was labour-intensive in nature and contributes directly and indirectly a significant amount to the development. European Union in 2005 generated employment for 15 million people in the industry of sports, which represents 5 per cent of the European union labour market. In the year 2005, 2 percent employment was generated for united kingdom.It can be observed that the employment in the sports sector was voluntary and seasona. In addition to the sports goods the demand occurs for the sports apparel also contributing 50 per cent of the total demand for the sports goods and the rest of the contribution was made by the footwear and equipment. According to the Sports Goods Export Promotion Council of India (SGEPC), the size of the global sports market increased from $267 billion in 2006 to $278.4 billion in 2007, growing at the rate of four per cent.

India, Japan and China were considered as one of the largest manufacturers for sports goods. The share of India in the trade globally was only around one per cent, it was a niche player in manufacturing. Moreover the manufacturing of inflated balls in India were stitched manually therefore more bouncy than China's balls which were machine-stitched.Therefore better advantage was earned by the Indian sports market over China. Our country had a comparative advantage of skilled manpower vis-à-vis developed countries like the US and Italy, which enables it to produce sports goods of international standards at a

lower cost. International brands like Wilson, Adidas, Reebok, Puma, and Yonex were venturing their products from India.

The Indian retailers which were entering into sports segment can source many products from the domestic market. Theretail sector of India was supported by liberalisation post-1991 period. The toys, apparels, footwear etc were sold under one retail outlet in the earlier period of time but now we have specialized outlets for each of the former categories .we can consider the examples of Reliance Retail ltd and the Future Group which have diversified their business by opening multiple outlets for retail, footwear etc.

Sector like sports goods manufacturing and retail were not governed by one specific ministry as in case of sports equipment the Ministry of Commerce and Industry ,for sporty apparels Ministry of Textile was looking after the manufacturing. Retail, on the other hand, was a state subject according to the Indian Constitution and, therefore, state governments were the main regulatory authority. There was no nodal ministry to regulate retail trade at the centre, unlike sectors like sports and agriculture, which were also under the state list according to the Indian Constitution.

Among the different councils responsible for this sector, Sports Goods Export Promotion Council (SGEPC) under the administrative control of the Department of Commerce, Ministry of Commerce and Industry, was responsible for promoting exports of sports goods and equipment; sports apparel exports was promoted by Apparel Export Promotion Council (AEPC) under the Ministry of Textile and Council for Leather Exports (CLE), both of which were under the purview of the Department of Commerce, Ministry of Commerce and Industry. The SGEPC was treated as the nodal agency for sports goods exports. However, it cannot promote exports of apparel and footwear.

The participation in the international sports events help to represent only a portion of sports equipments which were manufactured in India. In many countries the export of sports equipment was supported by the associations governing the sports equipment. The state governments governs the inter-state movement of sports goods, retail outlets, shop timings, etc.

Table2-: Percentage Share of Exports by Jalandhar cluster

Year	Export out of India (Rs. in cr)	Percent export by Jalandhar out of total export
2003-2004	342.3	61.17
2004-2005	395.11	61.94
2005-2006	456.9	59.93
2006-2007	509.04	56.89
2007-2008	519.26	58.39
2008-2009	586.89	52.05
2009-2010	548.84	53.74
2010-2011	610.92	55.82

(http://shodhganga.inflibnet.ac.in/bitstream/10603/23694/10/10_chapter%204.pdf)**Source**-(Annual Reports, Sports GoodsExport Promotion Council, NewDelhi)

Table 3-- Distribution of firms in the cluster as per the records of DIC.

No. of firms	Urban	635
	Rural	146
	Total	781

Source: District Industries Center, Jalandhar, 2011

(http://shodhganga.inflibnet.ac.in/bitstream/10603/23694/10/10_chapter%204.pdf)

Weston Corporation: An Introduction

This firm started its business in India in the year 1962, before the partition the business existed as a partnership firm in Pakistan. The products of this company were sold by the name of Comet. They were operating a small scale business. The revenue earned by them from the business was also limited. They were earlier taking the tenders from the government of 1 year for manufacturing balls with ISA mark till the year 1982 but after this procedure stopped they started exports which generated worth not more than 1 Crore. They were into making of products like tug of war rops which were of 5 inches ,probably manufactured by very less people, line marking machines which were used for marking the line of approximately the width of 2 inches in the sports ground.

Problem Statement: The Indian sports goods industry was packed with large number of small manufacturers producing generic goods. Cut throat competition, lack of government support, shrinking profit margins and labour problem were few common challenges for all including Weston Corporation.

The promoters thought that instead of exploring irregular domestic market, if they could find small but unique market it would be more productive. In this way they worked on idea of Niche Market. Niche marketing was a marketing tactic deployed to target a specific market segment which was unique. Niche market was often created by recognising what a customer wants and then tries to deliver a better solution to a problem which was not presented by other firms. Niche marketing served as Unique Selling Preposition (USP) for the firm as major benefit of niche market was that there was no or little competition under that segment. Niche marketing results often in to high margin business. Customers do not mind paying a little extra because, they were only able to get that service in that company or under its brand.

In this way they explored for niche market and entered in to exports. The export they were doing was not through any agent but they were involved into direct export. They did not prefer to export through an agent because they believed that if they do this their job would be dependent on the agent. Moreover the agent would also charging some commission which reduces the amount of revenue. They operated into the markets of South East Asia, Malaysia, Singapore and Bangkok. Earlier the part of the business was started in Sialkot, but after the partition the family shifted initially in Batala in Punjab. Few years letter after the resettlement orders of the government they settled in Jalandhar. There was a regular supply of leather, wood in Jalandhar at that period so it was easier to establish the setup of manufacturing here. With period of time Jalandhar grew as the major cluster of sports equipment manufacturing.

SWOT Analysis of Weston Corporation

To get true picture of an organization, SWOT analysis was considered as most preferred one. SWOT analysis of Weston Corporation had reflected as follows:

Strengths

1) There exist the strong customer loyalty for the products sold by Weston Corporation for the products like line marking machines and ropes for tug of war.
2) Unique technology products like 5 inch tug of war rope which were manufactured by limited people.

Weaknesses

1) The product range offered by them was very limited
2) Although they have unique product designs, but they don't have patents to protect their products

3**)** The barriers of entry were low barriers. So, anyone can't initiate the business easily to start the business in this sector. As the entry barriers were very few, so industry was characterised by number of firms which vary in specialization and size.

Opportunities

1) There was an opportunity to expand in the International markets to expand their revenue and can add more products to their portfolio.
2) There can be a huge market share for female market, so they manufacture the products specially for women sports equipment.

Threats

1) There was presence of intense competition faced from the big brands.

2) The change in trends, patterns and taste of the consumer, will highly affect the sales.

3) There always exist high risk of substitute products.

4) The increase of freight.

Problems faced by Weston Corporation

Schedule based interview of management highlighted some key points. As also evident from screening of market, the environment for business was not favourable. Even due to fluctuations in the currency the buyers were not buying the goods and as a result exports were reducing the revenue generated from the business.

They firm faced challenges in recognizing the trustworthy buyer because there were lot of frauds in the prospecting clients through internet and serving their export orders. The freight rise had indirectly added to their cost. Less technical

support from the government for development of labour and machinery skill development. The frequent change in patterns and trends ruling the market, added to their cost. As the entry barriers were very few, so industry was characterised by number of firms which vary in specialization and size.

Recommendations for Sports Good Industry as Whole

Based on primary and secondary data and exhaustive work, following recommendations were concluded for sports goods industry.

1. The technical support should be upgraded from the side of the government.
2. More efforts should be put in to support skill enhancement of labour.
3. The labour laws should be made more flexible and liberal.
4. The sports good manufacturing industry of India face huge obstacles because of scarcity of financial support from financial institutions which should be corrected.
5. Global branding campaign should be initiated by government to create demand for Indian originated sports goods.

Recommendations for Weston Corporation

As far as Weston Corporation was concerned, recommendations were:

1. It should introduce 1-2 new products to safeguard their business interest and minimizing chances of product obsolescence.
2. It should refocus and re-strengthen its domestic market.
3. Work on channel of distribution or use online retailers like Amazon & Flipkart.
4. Personal selling must be strengthen over competitors.

5. To ensure support of channel partners, slight increase in profit margin may help a small player like Weston Corporation.

Conclusion

The sports cluster began in Jalandhar after the partition in 1947 and was able to cater the demand for both the domestic market in India and foreign market. In the current scenario also the micro and macro enterprises of Jalandhar contribute more than 50 percent of total exports of sports equipments. And maximum exporters belong to the city of Jalandhar. The problems like less technical support, less manpower training facilities lead to challenges. The frequent changes of taste and preference of the consumer adds the cost of the firm. India face huge obstacles because of scarcity of financial support from financial institutions lack of raw materials political and social commitment due to initiative by government policies, lack of infrastructural facilities and electricity, usage of obsolete technologies, lack of transfer of knowledge due to less collaboration among the industries. To overcome challenges from neighbouring countries and other developing countries, government support in term of international marketing was vital. Intra Industry Cooperation may also result in to good sales and exports.

So now it had become significant for the companies to keep good relationship by establishing contact with national and international communities. Government can also apply for Geographical Indication for Jalandhar bases Sports production.

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4.3.3 Case study 3

Swiss Land Sports: A Case of International Expansion

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Abstract

With the increasing span of Globalization, many firms were exploring international avenues. There were various drivers of internationalization & globalization including domestic competition, expansion, technology urge, brand creation and government incentives etc.

Jalandhar known as Sports Goods manufacturing hub of India had many renowned firms with domestic as well as international presence. Swiss Land Sports, an Indian firm explored international market for growth and brand creation. As many domestic competitors had presence in established markets such as Australia, Canada, USA, UK etc. so it identified developing market of Vietnam.

This is Case Study of Swiss Land Sports, Jalandhar based on primary as well as secondary data. Data were collected through semi structured interview method. This study highlighted that Vietnam was attractive to various foreign investors because of its revised government policies including Goods Quotas, Tariffs, Agreement on Intellectual Property Rights (IPR) and Customs Valuation. Beside this, it was selected because of its high quality infrastructure in the North Central region and South Central Coast of Vietnam, abundant labor force and availability of raw material.

Swizzland sports was a family owned business started in 1961 with the objective of serving domestic market and to serve clients in foreign countries like Australia & Sri Lanka. It was manufacturing and exporting Sports Net, Gym ball, Yoga mats etc. In the year 2016 it went for the foreign expansion by using the entry mode of wholly owned subsidiary in Vietnam. It had initial investment of $5 million USD and started manufacturing unit for production of cricket bat, football jerseys, flags, whistles for matches. This specific country was selected because of its high quality infrastructure in the North Central region and South Central Coast of Vietnam, abundant labor force, the fastest expansion in the past ten years as the Constitution 2013 has recognized private ownership and labor-intensive projects for sports development.
Keywords: family owned business, international avenues, entry mode, wholly owned subsidiary.

Swiss Land Sports: A Case of International Expansion

Sports Industry at India & Jalandhar:

According to A.T. Kearney study in 2017, global sports industry worth between €350 billion and €450 billion which included infrastructure construction,

sporting goods production, licensed products and live sports events. It had created huge revenue for firms as well as nations. In 2017 according to Forbes, Nike is the most valuable sports business brand worldwide in 2017 with a brand value of 29.6 billion U.S. dollars, followed by ESPN 15.8 billion and Adidas 7.9 billion.

Jalandhar was a classic example of transplanted cluster of sports goods. The origin of the sports goods industry in India can be traced back to Sialkot (Now in Pakistan), which was the sports goods production centre in pre-independence days. During last seven decades, sports manufacturers of Jalandhar had witness many phases and over the years had evolved as successful hub.

Swiss Land Sports : An Overview

The company was a family owned business which was started in the year 1961 by first generation entrepreneur Premnath Gupta and gradually transferred to his sons, Sanjeev Gupta and Dinesh Gupta. Initially they started net manufacturing and catered local markets simultaneously expanded into various international market like Australia and Srilanka by exporting Yogamats, Skipping Ropes and Gymballs.

They entered into the market of Vietnam in 2016 through Wholly Owned Subsidary as a mode of Foreign Direct Investment (FDI). In Vietnam they were selling Cricket and Football Jerseys, Flags, Whistles for matches. From traditional skills of manufacturing to use of Visual Captro for enterprise resource planning, the firm had dynamic approach to remain competitive in the market.

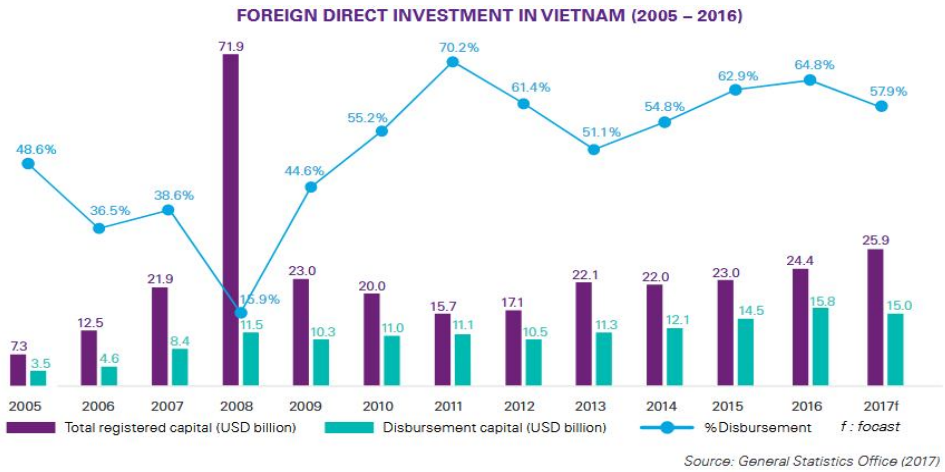
Why Vietnam?

Vietnam was attractive to various foreign investors due to country's encouraging government policies for FDI. Its economic and political stability, geographical

location prominent for global supply chain and abundance of labour were few key considerations for Swiss Land Sports to target Vietnam.

After the Common Investment Law and Unified Enterprise Law was promoted in 2005, Vietnam joined the WTO in 2007, the which proportionately grew FDI in this region (Chien, N D & Zhang, K, 2012). Vietnam had commitment to overseas investors for equal market opportunity. Its policies were in accordance with TRIPS (The Agreement on Trade-Related Aspects of Intellectual Property Rights) & TRIMS (The Trade Related Investment Measures). TRIPS sets down minimum standards for the regulation by national governments of many forms of intellectual property (IP) as applied to nationals of other WTO member nations. TRIPS also specifies enforcement procedures, remedies, and dispute resolution procedures. TRIMS restricts the use of three TRIMS requirements: local content requirements, trade balancing requirement and foreign exchange balancing requirements. Vietnam progress in implementing bilateral as well as international obligations, anti-dumping and countervailing measures had contributed to inflow of FDI.

Previous studies indicated that quality of infrastructure in the North Central region as well as in the South Central Coast strongly affected FDI in Vietnam. Anwar, S & Nguyen L. P. (2010) suggested that the impact of foreign direct investment on economic growth in Vietnam could be larger if more resources were invested in education and training, financial market development and in reducing the technology gap between the foreign and local firms. In the past few years, the demand for sportswear has grown in cities like Hanoi and Ho Chi Minh because fitness has become the trend in this region. The graph 1 below indicated the foreign direct investment in Vietnam. Vietnam could increase the foreign investment by overcoming different instabilities in the economy, It should sustaining its policies which are friendly for the investors(Oh J. H. & Mah, J. S. 2017).



Graph1 - Foreign Direct Investment in Vietnam (2005-2016)

Source - General Statistics Office (2017)

Investment Incentives in Vietnam

The revised Constitution of Vietnam in 2013 had recognized, the right of ownership w.r.t to lawful income, savings and various other possessions in enterprises. Vietnam was also one of the country to participate in the Trans-Pacific Partnership. It was a free trade agreement (FTA) which had liberalised trade as well as investment between 12 Pacific-rim countries including Chile, New Zealand, Brunei Darussalam, the United States, Canada, Japan, Mexico, Malaysia, Peru, Singapore, Australia and Viet Nam. This agreement had allowed Vietnam to ship many products tariff-free to various countries which constitute two-fifths of the world's trade. Vietnam as located in the heart of South East Asia near to the coastline of the Pacific Ocean offers added advantage in providing access for major trade routes.

Wholly Owned Subsidiary: A Market Entry Strategy

Vietnam foreign investment was regulated by the Ministry of Planning and Investment (MPI) at the central level as well as by the Department of Planning and Investment (DPI) at the local level. Vietnam market was not easy for

inexperienced firms to explore which do not had a well-established business development unit. It was almost certain to operate and wait for first few years to successfully establish and sell into the market.

To expand well with stability it was observed by Swiss Land that building relationships was very important. Entry in the Vietnamese market was preferred at northern location of the country, which constituted the major concentration of government ministries and regulatory agencies, as well as south area of the country constituting the industry hub.

For the effective presence in Vietnamese market, commercial operation had optimal steps like firstly by setting a representative office license followed by a branch license including the foreign investment license in accordance with their Foreign Investment Law. The consumers buying decisions were highly price-sensitive. Most of the foreign firms were operating by involving Vietnamese agent which were selling goods in Vietnam for commission.

The agents were also performing some additional responsibilities like identification and pursuit of sales lead, sales promotion and after-sales relationship. For promotion and creating the awareness in the market firms were also using trade shows and catalogue marketing.

Market Opportunities

The disposable income within major urban areas was four to five times the national average and provided significant opportunities in the consumer sectors. Various well established premium brands were selling the products in high range while Swiss Land focused on use of penetration pricing with good quality to compete.

Market Challenges and Threats

Vietnam was ranked at 107 (out of 180) on Transparency International's 2017 Corruption Perceptions Index. Various firms operating in Vietnam, including both domestic as well as foreign have found unexpected tax assessments, tax obligations of companies**,** high start-up costs, complex land acquisition, land transfer procedures and shortage of skilled labour as the major challenges**.**

There was obvious difficulty for leveraging monthly cash inflow to overcome costs of doing business in initial period. To compete in the market the major focus was to invest in new technology for focus on improving the quality and brand building. Since country had huge population, improving living standard and increasing economic performance, Sportswear as well as Sports goods were highly potential. A study confirmed higher information transparency, market demand, better information transparency, easy land access attracted more foreign investment (Le B. & Sakchutchawarn, S, 2017).

Determinants for investment in Vietnam

Market size- Since the Swiss Land Sports had market seeking objective, it was searching for country with large and growing population. Large host markets gave it opportunity for higher sales and earn god revenue. Vietnam had total population of 91.1 million in 2015. This provided Vietnam with the demographic bonus of unique advantage of the young labour force. The lifestyle of Vietnamese people was very casual and relaxed. The average population density of Vietnam almost 300 people per square kilometre (General Statistics Office 2014).The empirical study from the period of 2003 to 2014 also stated that trade openness,bilateral trade affects the inflow of FDI in Vietnam (Hiền, M T & Bích N N 2016).

Political stability-Vietnam had a single-party political system which resulted in to greater political stability. It was governed by the Communist Party of Vietnam (CPV). It helped in promotion of economic growth and development and is a major attraction for foreign investments. One party rule provides clear strategic direction and was responsible for deciding all major policy issues. Vietnam was politically better in stabilityas compared to other markets of South East Asia.

Economic factors- GDP growth rate was estimated at 6.8 percent in the year 2017 .It had the fastest expansion in past ten years. Vietnam was ranked 68th (out of 190) in the report of World Bank's "Doing Business 2018" report. Vietnam was also one of the country to participate in the Trans-Pacific Partnership and had made commitments for better domestic reforms. More than half of total FDI was in manufacturing. The interrelationship between different variables like GDP, inflation rate, employment rate plays a crucial role impacting the economy (Nguyen D T H, Sun S, & Anwar S (2017)).

A study on MNC's for foreign investment identified that culture, market-seeking government policies have significant impact on investment (Saleh A S, Nguyen T L A, Vinen D, & Safari, A. (2017)).

Infrastructure -The Vietnamese Government was focusing on developing the efficient infrastructure for economic development. In past few years there were ambitious plans to upgrade the transportation infrastructure system**.** For sea transportation over 100 ports throughout the country were planned. This decision may have a positive impact on export and trade to different countries from Vietnam.

Conclusion

Earlier Vietnam had many challenges for overseas companies but over the years Vietnam had made progress in implementing its bilateral and international

obligations. Vietnam ship many products tariff-free to countries that constitute two-fifths of the world's trade due to Trans-Pacific Partnership with 11 other nations. Vietnam was located in the heart of South East Asia. Its commitments on goods tariffs, quotas, and Quality of infrastructure impact strongly on attracting FDI of provinces in the North Central region and South Central Coast—Vietnam. Vietnam had better stability than South East Asia Markets. Along with above facts, its growing and attractive market promoted Swiss Land Sports to explore Vietnam. By Wholly Owned Subsidiary it can had better presence and ground for better policies and execution of strategies.

Questions for Learners:

1. Why Swiss Land Sports Targeted Asian Market like Vietnam? Why not USA or UK?

2. What are advantages of Wholly Owned Subsidiary? Under what situation this entry mode should be preferred?

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4.3.4 Case study 4

Pratham Cycles: Moving Ahead

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Abstract: In 1956, Pratham Cycles was started at Jalandhar with manufacturing of cycle components and soon it started producing cycle with initial capacity of 25 per day. In depth technical knowledge, marketing skills and commitment of the management has established Pratham as leader in Indian bicycle industry.

Now Pratham Cycles is manufacturing over 5 million cycles per annum and its passion of setting higher standards for itself and delivering simply the best, has found itself a place not only in the Guinness Book of World Records but also in the hearts of millions as happy users.

Pratham Cycles is ISO9001 & ISO14001 Certified from BVC of UK and with a distribution base of 25 suppliers and 2800 dealers; it is exporting products of Mid Premium, Premium & Super Premium segment to over 70 countries including Germany, Finland & Poland.

The increased concern for health issues and air pollution has positive impact on the demand of bicycles in developing as well as developed nations. Pratham's rich experience and strong financial and technical credentials has made the business run successfully in international market. As a part of Strategic Acquisition, it has acquired 60 per cent stake in Sri Lankan bicycle manufacturer ABC Venturesas and entered in to Sri Lankan market as FDI. It will help Pratham Cycles in increasing their production capacity and expanding the

business into European markets. It is trying to meet the anticipated demand of the different customer segments. This is as per the aggressive move of company and resulting in the global footprints of the company.

Key Words: Pratham Cycles, Indian Bicycle Industry, Exporting, Strategic Acquisition, FDI

I. Introduction

Foreign direct investment in Indian Automobile sector has gone through many phases after 1991's open economy policy of Government. Recently it has registered a growth of 5.41% in the year 2015-16. Government's Ministry of Heavy Industries & Public Enterprises rolled out two plans on Automotive Mission Plan 2006-2016 & 2016-26. In the first plan Indian Government attempted to position India as a Global Automobile & Auto components manufacturing hub & in the second plan Government presented India as R&D research hub for global automakers. Below Table 1 and 2 below shows the domestic market share of two wheelers as comparative to other vehicles and its trend of export in past few years

Table 1 Market share of various vehicle categories in India

Passenger vehicles	13%
Commercial vehicles	3%
Three wheelers	3%
Two wheelers	81%
Grand Total	100%

Source: Society of Indian Automobile Manufacturers (SIAM), 2017-18

Source -http://www.siamindia.com/statistics.aspx?mpgid=8&pgidtrail=12

Table 2 -Automobile Exports Trends in India

Category	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Passenger vehicles	559414	596142	621341	653053	758727	747287
Commercial vehicles	80027	77050	86939	103124	108271	96867
Three wheelers	303088	353392	407600	404441	271894	381002
Two wheelers	1956378	2084000	2457466	2482876	2340277	2815016
Grand Total	2898907	3110584	3573346	3643494	3479169	4040172

Source: Society of Indian Automobile Manufacturers (SIAM) 2017-18 http://www.siamindia.com/statistics.aspx?mpgid=8&pgidtrail=15

From table 3 reflecting FDI inflow, we can see that first three positions are held by Japan, USA, & Germany for Indian automobile market. Selection for mode of entering into a foreign market is a significant decision for an international firm.

Table 3-Share of top five countries attracting FDI equity inflows for automobile industry (From January, 2000 to December, 2016)

Ranks	Country	Rs crore	US$	Percent of Global FDI inflow for Automobile industry
1	Japan	26634.46	4729.42	28.36
2	U.S.A	11264.45	2046.67	12.27
3	Germany	10684.44	1866.58	11.19
4	Netherlands	7539.33	1459.07	8.75

5	Mauritius	6614.33	1233.36	7.40
	Total	62737.01	11335.1	67.97

Source - Department of Industrial Policy & Promotion database (DIPP database)

Review of Literature & Research Methodology:

A study (Osland, G. E., Taylor, C. R., & Zou, S. (2001)) compared the factors which affected the modes of entry and decision for expansion of US and Japanese firms. Mail surveys, was used to collect data from top executives in both Japan and the US. The study concluded that Japanese are sensitive to external risk and other target market factors while Americans are sensitive to international experience for selection of modes of entry. Joint ventures are more appropriate for internationally-experienced firms, as compared to in experienced companies.

Indian roads provides favourable condition for use of bicycle for short trip lengths, with some barierrs to affordability, attitudes towards Non Motorized Vehicles (NMVs), etc (Replogle, 1992b). The transport here is influenced by poverty. There are many evidences to illustrate the difference between planning methods of urban and rural transportation (Tiwari, G. (2002)).

A firm-level analysis was undertaken in the year 1993-94 to 1999-2000 for three different industries - automobiles, electricals and chemical. The analysis concluded that US-affiliated firms are looking forward for technological improvements to enhance productivity growth, while Japanese-affiliated firms have thrust for efficiency improvement (Banga, R., (2004)).

In outward foreign investment firm specific advantages of Indian automotive firms get transferred to host countries. Greenfield foreign investment act as a channel for enhancing the investing firms' global visibility, technological capabilities and preferences of customers there (Deng, 2007).

The share in growth of Indian and Mexico MNC's in last decade was evident in automobile sector. Mexican and Indian MNC's focused more strategies for economic

development for a better access to improved technology, marketing and organizational know how etc. A comparative analyses on the performance of automobile sector in India and Mexico, mainly in passenger car and Utility vehicles sector (Kumaran, G. B. (2008)). An study on data for 1070 large Japanese firms concluded that firms should invest abroad and export rather than just firms that just export Head, K., & Ries, J. (2003).

The Case Study is disguised and primary data were collected through interviews and secondary data were collected from various sources.

Table 4 -Pattern of FDI Inflows in 6th five year plan(amount in Rs crore(US$in million) in F.Y(April-March)

Sector	2012-13	2013-14	2014-15	2015-16	2016-17
Automobile Industry	8384(1537)	9027(1517)	16760(2726)	16437(2527)	10824(1609)

Source -Fact sheet on Foreign Direct Investment (FDI), DIPP.nic.in

From table 4, it can be seen that automobile industry inflows in India grew in the year 2014-2016. India is a big player in global automobile industry along with EU, China, Japan and Taiwan which account for 87% of global production.

Bicycle Industry & India:

Bicycles are a two-wheeler vehicle that is an eco-friendly and inexpensive way of commute. Manual pedal bicycles do not require any external fuel whereas electric-driven bicycles are assisted by electric power and have the option to be manually pedalled.According to Research Report of Persistent, there are many facts supporting re rise of bicycle industry. Intensifying traffic congestion issue and elevating fuel prices are foreseen to remain the key factors raising the demand for bicycles thereby. Growing health concerns among consumers, in addition to surging acceptance of green transportation in an effort to reduce carbon footprint, will play a pivotal role in the

growth of global bicycle market in next eight years. India is also having significant presence in bicycle industry and India manufactures around 10% annual bicycle production. The Exports from India are to Africa .Today there is upcoming trend for different cycles for ladies, kids and gents. The problems like low product differentiation and high fixed cost, are making Indian bicycle industry lagging behind Chinese bicycle industry. In the table 5-Contribution of different countries for export of bicycles and contribution of India is 0.5% as per Central Intelligence Agency, 2017.

Table 5 - Contribution of different countries for export of bicycles

Rank	Expoter	2016 bicycle export	%World total
1	China	US$ 3.1 billion	35.2
2	Taiwan	$1.5billion	16.8
3	Netherlands	$755.3 million	8.5
4	Germany	$619.4 million	6.9
5	Combodia	$413.7 million	4.6
6	Portugal	$244.3 million	2.7
7	Belgium	$207.3 million	2.3
8	Hungary	$205.2 million	2.3
9	Italy	$190.5 million	2.1
10	Bulgaria	$146 million	1.6
11	Spain	$122.2 million	1.4
12	Poland	$115.5 million	1.3
13	France	$110.1 million	1.2
14	Austria	$105.5 million	1.2
15	US	$100 million	1.1
16	UK	$99.3 million	1.1
17	Czech Rep	$87.7 million	1
18	Bangladesh	$85.6 million	1
19	Romnia	$65.5 million	0.7
20	Indonesia	$65 million	0.7
21	Thailand	$52.4 million	0.6

22	Turkey	$49.7 million	0.6
23	Japan	$ 49.6 million	0.6
24	Tunisia	$43.7 million	0.5
25	India	$43.7 million	0.5

Source- The World Factbook, Field Listing: Exports – Commodities, Central Intelligence Agency, 2017

Pratham Cycles: Past, Present & Future

The philosophy of the Pratham Cycles management is teamwork and high commitment for the work. It was started by the four brothers who lived in Pakistan. After the political division of British India, they decided to began the business of bicycle manufacturing in India and they shifted to Jalandhar.

In the year 1956, these brothers began assembling the key components of bicycles at their manufacturing plant in Jalandhar. In their initial days the early the plant manufactured just 25 cycles per day. But with the period of time more skilled workers, administrators and technocrat came into being which supported the production activities and the rate of productivity grew upto 18,500 cycles a day, the highest in global reckoning. Pratham captured 4 percent share of the Indian market, making a record entry in Guiness book of world record in 1986. Since then Pratham Cycles has been able to maintain its leadership in the cycle manufacturing industry.

The market of bicycles exists in domestic territory as well as foreign markets. Today, the yearly domestic demand for bicycles is approximately 10 million units, and 2.5 million units is demanded by the government for the different welfare schemes. The huge demand is there for bicycles in India because 60 percent of the Indian population is residing in the rural areas which belong to low income group. These areas lack the concrete roads and the roads often get damaged during monsoons. However, major

competitors for bicycle manufacturers are public transportation such as buses and local trains which are close substitutes of the bicycles and are cheap requiring less effort in commutation.

This industry faces low product differentiation but has the cost advantage for the older firms as compared to new prospective firms. The industry make changes in their output according to societal requirnments like health issues (obesity) and environmental conditions (air pollution) which has positive impact on the production and demand of bicycles. After July 1997, entry of foreign firms in India increased the competition which generated the necessity for innovation to survive.

The major threat came from because of cost of inputs was more for Indian manufacturers as compared to Chinese manufacturers. With the advent of time and upcoming competition in India, Indian Government developed some policies like prior approval of the government before increasing the price, the distribution margin for the distributors, sales agent etc should not exceed 15 percent of sale price and it was necessary to follow the international technical standards by the International Organization for Standardization (ISO).

SWOT analysis of Pratham Cycles

Strengths

Company had very good experience and also have strong financial position. They have well recognized image in both international and Indian market as largest bicycle manufacturers in the world. They have good internal control throughout the organization. Training is a continuous process within the Company. Pratham cycle has technical collaboration with New Bicycle Industries for manufacturing of high end bicycles. They have quality management system so as to audit the quality of the product manufactured for providing best product to their customers.

Weaknesses

The increase of input cost of tubes and tyres is crucial as it is not easy to increase to price on frequent intervals. Overall rise in cost resulting in to price rise is a major weakness.

Opportunities

Company had ability to expand in global markets. It can diversify as per the market demand of kids, ladies and can make equipments for gymnasium.

Threats

The volatility of steel prices is the biggest threat. The obsolescence of the product can lead to lowering of demand and will affect the profit stream. The imports from China are at the cheaper rate which are acting as the substitute and threat to Indian bicycle manufacturers. The high share of domestic freight cost in India leads to a price disadvantage for Indian manufacturers in the global market.

Porter's Five Forces Analysis of Pratham Cycles

1. Rivalry among existing competitors is high

There are high exit barriers because of high fixed cost, as Indian plants practice manual welding and manual assembly as against international trend of robot-based welding and automated assembly. There is almost insignificant R&D infrastructure in the country for advanced technologies for bicycles. Moreover the differentiation in the product is difficult to show.

2. Threat of new entrants is low

As the manufacturers of china are entering the Indian market which are already proving the bicycle import at low cost so it will be tough for the any other manufacturer to enter bicycle market. Moreover due to huge cost of investment entrants are less.

3. Threat of substitute is low

The relative prices of other means of transport are higher than the bicycle. Due to change in life style of the people they are getting health conscious and cycling is good so they would not like the substitute of bicycle.

4. Bargaining power of consumers is high

There are competitor companies for manufacturing bicycle which are alternatives. As the consumer is price sensitive so he look towards other big brands like Avon and Ti cycles.

5. Bargaining power of supplier is low

The raw material and labour are abundantly available for manufacturing as a consequence the negotiation is low from the side of supplier.

Competitor's Analysis

There are 3 major players in manufacturing of bicycle: TI cycles of India, Pratham Cycles, and Avon Cycles.

TI Cycles Of India: - T I cycles of India was started in 1949 and is IS0 9001-2004 certified company.They are the major competitors because of their strong R&D facilities ,customer centric approach and the total quality management techniques used by them . There business is diversified into sugar, cycle, fertilizers and auto component etc.

Avon Cycles: -It was originated in 1951 by the family of PAHWAS,. They make are also certified by 1S0 9001- 2000. They involve themselves in CSR activities and try to make good relationship with the customer. They are also the major exporters of bicycle from India.

Pratham Cycles- Pratham Cycle sustains with its ability of low cost of procurement of these raw materials in Jalandhar.

Entry of Pratham in to Sri Lanka:

Sri Lanka is a close neighbour of India with many similarities and high socio political affiliations. The following facts and figure of Sri Lanka justifies decision of Pratham to enter in to Sri Lanka.

Political System:-Sri Lanka is known to be a socialist and a democratic state which is having mixed governance of a presidential system as well as parliamentary system. The parliamentary system is governed by Constitution of the country. Most provisions can be amended by a two-thirds majority. Sri Lanka has undergone changes in political scenario and has gained political stability in present scenario government. Business related violence is a big issue and has very less impact on the investment environment.

Legal System

The Legal system of Sri Lanka is very complex and is a mix of several laws. The introduction of recent laws like of greater requirements for firms to recycle, age discrimination, an increase in the minimum wage etc may have impact on organisation's actions. Sri Lanka is having strong labour policies which dictate working hours, age limits, and prohibition of child labour. Import and Export Control Act of 1969 is known to regulate the investments related to international businesses for Sri Lanka.The Central Environmental Authority (CEA) which was established in August1981 under the provision of the National Environmental Act No: 47of 1980 is known to handle environmental considerations.

Economic Factors

The per capita income of the country is known to have doubled since 2005. Moreover during this year, the poverty has declined from 15.2% to 7.6%. In the first quarter of 2017, GDP grew by 3.8% and 4.0% in the second quarter.Various economic parameters can be seen from the table below-:

Table 6- Various Economic indicators of Sri Lanka

Statistics	Value
GDP (purchasing power parity)	$278.2billion(2017est.) $265.6billion(2016est.) $254.5 billion (2015 est.)
GDP - per capita (PPP)	$13,000(2017est.) $12,500(2016est.) $12,100 (2015 est.)
GDP - composition by sector	**Agriculture:**7.8% **Industry:**30.5% **Services:** 61.7% (2017 est.)
Household income or consumption by percentage share	**Lowest 10%:** 1.6% **Highest 10%:** 39.5% (2009)
Inflation rate (consumer prices)	6%(2017est.) 4% (2016 est.)
Industries	Processing of rubber, tea, coconuts, tobacco and other agricultural commodities; telecommunications, insurance, banking; tourism, shipping; clothing, textiles; cement, petroleum refining, information technology services, construction
Industrial production growth rate	5.4% (2017 est.)
Exports	$10.93billion(2017est.) $10.31 billion (2016 est.)
Debt – external	$47.8 billion (31 December 2017 est.) $45.26 billion (31 December 2016 est.)

Source –CIA Factbook

Social Factors

Sri Lanka with a population of about 20 million people has a huge skilled labour force.It is recorded that life expectancy at birth is 75 yrs which is very close to projected lifespan in the developed areas .Greater than 67% of the population is lying between 15 to 64 years .The increase of TV channels and various other mass media networks indicates developments and changing attitudes of people.

Technological Factors

Sri Lanka has spend more than 5 billion us dollars on reaserch and development(R & D) in the year 2008. According to the NSF survey 461 patents have been registered with the National Intellectual Property Office of Sri Lanka.The growth rate of a patent signifies increase of interest of innovators in protecting (IPR) intellectual property right.

Enviornmental Factors

Sri Lanka has tropical climate with upland areas and sea breezes for the whole year But withe increasing projects, problems like pollution, filling the marshylands, unauthorized buildings and deforestation are big challenges Sri Lanka is facing .But theMinistry of Environment and Natural Resources (ME&NR) which is responsible in the affairs of the Central Environmental Authority (CEA)for integrating environmental considerations to develop the country.

FDI operations of Pratham Cycles in Sri Lanka

A sample of 364 Japanese foreign subsidiaries was examines for analyzing foreign entry-mode choice. The results confirm that the normative pressures, cognitive mindsets, regulative settings of the host-country environment affect the entry strategies of firms into foreign locations (Yiu, D., & Makino, S. (2002).

Pratham Cycles has acquired 60 percent manufacturing facility in Colombo, Sri Lanka, which is beginning of the international expansion of bicycle manufacturing company of

India.Through this expansion they are targeting the sales of 1 million bicycles per annum till the year 2019.Pratham will be supported with the benefits linked with Sri Lanka, which will be regaining the status of duty free imports to European Union member states. This decision is also resulting in the global footprints of the company. It is owning 60% stake in ABC Ventures which is an export oriented bicycle manufacturer located in in Sri Lanka_.The aim of the company is also to grow its production capacity. The advantage of joint venture is that BSH knows about the customer requirements of EU regarding component base, colour and material handling. BSH can help to manufacture small units as per the demand in Europe.The Sri Lanka based manufacturing facility will help to strengthen the exports to the European markets and will help to increase the production capacity of bicycles to 2,50,000 bicycles yearly. The manufacturing is located in Biyagama Export Zone and it complies with all global standards. Pratham Cycles is trying to acquire the capabilities of manufacturing and designing based on European customer requirements. They are planning to set up the innovation centre and design studio and innovation centre in Europe. In Sri Lanka the manufacturing of Pratham Sprint Pro has aluminium body constituting of gears which make it suitable for mountain biking racing and adventure sports. They have portfolio of 17 different products ranging from 7000 to 15000. The Expansion in Sri Lanka's was a geographical placing healthy business climate, speeding up the exports as Sri Lanka's geographical placing in the Indian Ocean and its hub position induced exception. Moreover the trained and educated labour have knowledge to assimilate new technology oriented methods of production.With international sales the locales sales will also be looked after and are equally important for the Pratham Cycles. They are planning to expand the production in Sri Lanka to one million units annually .There are strategies which would be gearing the manufacturing of 800 units per day.

II. Recommendations for Stake Holders in India

1) There should be indigenous production of raw materials like carbon, aluminium, titanium etc.
2) Certain incentives should be made for encouraging the foreign investors so that they can collaborate with the manufacturers of India .
3) Government of India should give freight subsidy to enhance the Industries competitiveness in domestic and global market.
4) It is recommended that government should waive the taxes on cycles consumed by low-income population. Government should consider giving freight subsidy to the industry at least towards the domestic freight costs.
5) The government of India should look into reducing the import duty to ensure that the Export market of Europe is unaffected by distortions.
6) There should be the technology support scheme for providing the support to bicycle manufacturers component manufacturers so that bicycle manufacturers can upgrade their technologies.
7) It is also recommended that a dedicated cell in the Department of Industrial Policy and Promotion (DIPP) should be created to look into the challenges and requirements related to the growth of this industry.

III. Conclusions

The future of the bicycle industry is good. The outlook for the future in bicycles is positive, though stability is the story of the past. Overall, the sales of bicycle industry is around 15 to 20 million bicycle units yearly, which includes accessories, service and parts. This is a healthy sign for growth of the industry. Due to trends linked to green movement, sustainability of the environment, concern of the people for the health, high fuel prices the bicycle industry gets the push in its sales. Pratham Cycles is readily serving the domestic as well as the foreign market example is the acquiring majority stake in ABC Venturesin Sri Lanka, for increasing the production capacity and expanding the business into European markets. It is trying to meet the anticipated demand of the

different customer segments. The company is into Export Company in the Africa, Asia and Middle East. Pratham Cycles has the vast distribution network of about 3000 dealers across India and is the undisputed market leader of bicycle industry in India.

Question 1. Identify and project another country with a potential for expanding business of Pratham Cycles.
Question 2. Find Key Areas of Pratmam Cycles and suggest appropriate strategies for domestic market.

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CHAPTER-5

FINDINGS, RECOMMENDATIONS AND CONCLUSION

5. FINDINGS, RECOMMENDATIONS AND CONCLUSION

Globalization is giving new opportunities to firms for investing abroad. A good investment climate for business enables creation of good ideas and improved economy. But wherever there is a challenge on openness of investment and regulatory framework FDI inflow will decrease. This study is examining the forces contribution to both JV and WOS as the mode of entries for FDI. This study reviewed relevant literature review related to FDI.

5.1 **Research Findings**

The findings of this study are having strong business strategy implications for the management of manufacturing firms. From table 4.16, the managers can be provided with the understanding about the significance of each variable which impacts the entry mode decision. The objective1 of this study helps in determining the relevance of different entry modes for different industries on the basis of location specific factors. Like in cement industry, exemption from tax on interest and royalties, less freight charges and repatriation of profits attracts the cement industry in Dubai, Mauritius and Singapore and increase the preference of firms to opt for WOS as an entry mode. For chemical industry, less cost of doing business, connectivity to the market by air routes, investment tax credit for the manufacturers in pharmaceuticals and liberal trade policies attracts FDI by using WOS as a mode of entry in UK, Dubai and Switzerland. But there is preference towards JV when exchange rate is not favourable, saturated transport infrastructure and complex institutional structure is present. In electrical industry, limit for foreign ownership control in UAE and Qatar generates preference of firms to opt for JV as a mode of entry.

But, because of attractive tax rates, political stability, labour market flexibility like in Israel and Mauritius, firms give preference to opt for WOS as an entry mode. In the Engineering industry, due to low corporate tax, political stability, less corruption, and strong Intellectual Property Protection (IPR) firms opt for WOS

as an entry mode in Cyprus, Singapore and Tanzania. Whereas, JV as mode of entry is preferred in Saudi Arabia, due to foreign ownership limit. The food processing industry, during high domestic lending rates, inconsistent monetary policy, stringent labour laws, high labour cost, shortage of skilled labour and high intervention of government like in Zambia and Morocco, give preference to opt for JV as an entry mode. Whereas, in presence of free zones with exemption of tax, strong protection laws of IPR, no foreign ownership controls and easy raw material availability in Sri Lanka, firms prefer to opt for WOS as an entry mode into Hongkong and Dubai. In gems and jewellery industry, the availability of shared resources at low cost generates preference of firms to opt for JV as an entry mode.

Whereas, huge market size, high purchasing power and liking for jewellery in U.S. generates preference to opt for WOS as an entry mode by various firms. For Iron and Steel industry, high mandatory investment levels in Chile and high property price in UK, leads firms to prefer JV as a mode of entry into these countries. The availability of raw material, low taxation, less corruption and strong IPR like in South Africa and Singapore leads to opt for WOS by various firms. For leather industry, as cutting of leather is highly labour intensive and for gaining access to the skilled staff as well as new technological knowledge, JV is used as an entry mode in France and Mauritius by various firms. For Metal industry, due to no foreign investment screening mechanisms control in Netherlands, 0% personal as well as corporate tax for 50 years with 100% foreign-ownership, preference for WOS increases. For paper industry, political uncertainty, high cost of skilled labour, high energy cost and infrastructural deficits lead to opt for JV as an entry mode by various firms. Whereas, easy access to raw material like timber resources and presence of skilled labour creates preference for using WOS as an entry mode.

For rubber industry, ease of doing business, financial and legal stability, transparency, openness and integrity in business, availability of rubber trees creates preference of firms towards WOS as a mode of entry into Singapore and Sri Lanka. In sugar industry, the benefits like 100% foreign ownership, non-applicability of personal as well as corporate income tax, less restrictions on labour, nil customs duty, excellent airport and seaport availability creates preference for choosing WOS as an entry mode like in UAE. For textile industry, conflicting laws, high competition from countries like China, Korea, France and Singapore leads to opt for JV as in Indonesia. Whereas, availability of R&D expenditures, tax allowances, seed financing for initial start-ups, stable macroeconomic climate in Ethiopia, Cyprus and Netherlands leads to opt for WOS as an entry mode. For Vehicle industry, high availability of engineers, large number of part supplier, low cost of labour, stable cost of power and reduction of tariff parts leads to opt for WOS as an entry mode. The volatile exchange rate, high inflation history and continuous change in mandatory industrial localization requirement for foreign suppliers make it risky to do the business, which lead firms to opt for JV.

As a consequence, firms can prioritize the variables for deciding the mode of entry for FDI. From objective 2 the research findings are as follows-: The industry specific variables are classified with the accuracy of 72.5% in the model where 2 models are examined and compared i.e. JV to Both; WOS to Both. This study states that mandatory investment and R&D intensity of the industry has positive and significant contribution to both JV and WOS entry modes. This shows that lesser the restriction for mandating the investment amount more FDI will be attracted. Moreover, greater the R&D intensity, more will be the willingness of the firms to opt FDI for gaining advantage of overseas capabilities. The result is supported by the previous study by (Demirbag, Tatoglu and Glaister, 2009) which examined that MNCs opted joint venture rather than

establishing WOS with increase in R&D intensity of the industry

Market barrier has a positive and significant impact on the decision for opting JV as the mode of foreign entry which means more is the market barrier, greater preference will be there to opt JV as the preferred mode of entry. Similarly, when market barrier is examined for WOS to Both model, it shows negative but significant impact for firms opting WOS over Both. It signifies that more is the market barrier, less preference will be there to opt only WOS. This states that market barrier has positive and significant contribution to those firms who are opting only JV or both modes simultaneously.

Easy access to natural resources and competition intensity of the industry has positive but insignificant impact for JV to Both model. Whereas, there is positive and significant contribution towards WOS to Both model which means if there is easy access to natural resource firms will prefer to opt WOS over opting for both modes simultaneously. According to (Kekic, 2005), availability of natural resource has a significant contribution in attracting FDI. Similarly, more is the competition intensity within the industry more preference would be given to opt WOS as the preferred mode of entry. Degree of internationalization has a negative but significant contribution in the choice of JV to Both model and positive and significant contribution when comparing WOS to Both model. This signifies that the firms will opt WOS or both modes simultaneously if there is high degree of internationalization and will not opt for JV mode solely. The result is supported by results of the study by (Agarwal, and Ramaswami, 1992) which states that the firms which have less foreign experience prefer to go for joint venture for supplementing their resource needs. Hence, H11 hypotheis is accepted, which states that industry specific factors have significant impact on selecting a specific FDI mode for foreign entry.

Firm specific variables are classified with the accuracy of 80.4% in the model where 2 models are examined and compared i.e. JV to Both; WOS to Both. We

found that risk appetite, service quality, better knowledge of consumer taste, perceived ability to handle global expansion, investment in the advanced technology has a positive and significant contribution. Basically, risk appetite will depend on company's strategic options, competitiveness of the environment and its financial situation. Customer orientation is a significant factor contributing to the performance of the firm. Better quality of customer service refers helps to sustain customer base and keep them satisfied.

The local responsiveness affects the sustainability manufacturing industry. The product process strength, economies of scale, brand image, competitive prices, ability to adapt different market areas and sound liquidity positions have negative but significant impact for both models, JV to Both and WOS to Both. It is determined that when there is increase in former parameters the probability of opting both the modes simultaneously increases rather than opting any one out of JV and WOS. The firm-specific ownership advantages like production process capabilities expertise in managing cost and expertise in managing large complex markets is considered as significant determinant. Firms located in those regions where they can exploit economies of scale to a greater extent. The motive for expansion is to build image and sustain their global position which can be done sing both modes of entry simultaneously. The awareness about changing competitive prices helps to create more value than the competitors by creating a profitable position in the market.

Adapting itself to the foreign market requires to understand the differences in product usage in foreign markets, cultural and language differences. This finding can be aligned with the study by (Gersch, 2018) which states that the foreign knowledge is adjusted for business strategies and based on local knowledge business strategies are planned for OFDI.The firm research strategy and its expertise in managing large and complex markets negative and

insignificant effect on JV to Both model whereas it has negative but significant impact on WOS to Both model. It is determined that with change in former determinants the preference for opting both modes simultaneously increase. Firms with know-how of the market readily choose full ownership structure. When foreign firms gain local knowledge and experience and their dependence decrease on the local partners and want full ownership control over the new subsidiaries. Firms global marketing channel and quality of the product negative has insignificant impact on the choice of entry mode. The firm size has positive but insignificant impact on the JV to Both model but positive and significant impact on WOS to Both model. The results can be aligned with the study by (Dunning, 1977, 1993; Makino and Neupert, 2000) which states that if a firm has knowledge, tacit assets, has a considerable experience and is technologically intensive would prefer to opt WOS and if it has to operate in economically/politically uncertain country it will choose JV. International business experience had a significant effect on both price and product adaptation which is consistent with previous studies (Cavusgil et al., 1993; Cavusgil and Zou, 1994).

The companies with large resource base are often in a better position than the smaller firms. The size of a firm is recognized as a significant source for strategic advantage. So, firms may opt either of the modes rather than opting both simultaneously. The results can be aligned with the study by (Seyoum and Lin, 2015) which states that the firm-specific ownership advantages like production process capabilities expertise in managing cost and expertise in managing large complex markets are considered as significant determinant for location choices and investment in Ethiopia. Hence, H22 hypotheis is accepted, which states that firm specific factors have significant impact on selecting a specific FDI mode for foreign entry.

Location specific variables are classified with the accuracy of 82.4% in the model where 2 models are examined and compared i.e. JV to Both; WOS to

Both. Cheap labour, size of the host country, adaption, infrastructure and inflation rate difference in the home and host country have positive and significant impact on choice of the entry mode. The quality of labour force also influences the investment decisions, as productive, educated and skilled labour can be a key locational advantage for various host countries. (Blanton and Blanton, 2007; Moran, 2011; Schneider and Frey, 1985; Spar, 1999) concluded that some EU and US firms in manufacturing believed cheap labour to be a significant determinant for FDI. Foreign investors are attracted by large market size, which helps them to internalize profits from sales. Firms that have greater ability to manufacture differentiated products more likely choose wholly owned subsidiary in markets with high investment risk. The lower inflation levels are associated with achieving the real output at lower cost. Poor infrastructure can act as an obstacle to foreign investment. So, the FDI inflows are influenced by favourable role of physical infrastructure. The culture and government policy of the host country have negative and significant impact on JV to Both model and negative but insignificant impact on WOS to Both model. Greater the cultural compatibility between home and foreign markets greater is the standardized marketing strategy in host country.Cultural distance has a very strong influence on the decision for location choice. When distance is large, firms prefer wholly owned subsidiaries over joint ventures as cooperation expectations are less. The result is consistent with the study by (Ojala, 2015) which examined that Geographical distance, cultural and psychic distances significantly contribute in the decision making for entry mode choice. The study by (Drogendijk and Slangen, 2006; López-Duarte, Vidal-Suárez and González-Díaz, 2016) examined that national culture is significantly contributing in global expansion in making foreign investments. The firms opt for joint venture rather than establishing a wholly owned subsidiary, if governmental intervention is high. The uncertainty in the legal system will have a negative impact on foreign direct investment. The long-term strategic objectives, legal protection and access to local brands in host country have negative but significant impact on

the choice of entry mode.

The protection of property rights is weaker the risk of going into the joint venture is less because of the more risk of dissemination of information to rivals. When IPR are not well protected firms prefer to opt WOS. Firms will take over to protect the brand name from dilution of brand name during international positioning of the brand. The study by (Yi and Naghavi, 2017) showed that a strong IPR protection is able to attract more inflow of FDI. The free trade agreements, corruption in the host country, low political risk in the host country and interest rate uncertainty of the host country have positive but insignificant impact on entry mode choice. FDI inflows increases in those countries where countries have lower corruption. Firms may undertake mode of entry for foreign investment which helps in reducing the corporate risks associated with changes in governments of the host country. Similarly, a study on Vietnam's Free Trade Agreements (FTAs) showed that economic integration at the regional level and global level by eliminate tariffs for Vietnam will improve the legality of trade and would benefit trade and economic growth (Nguyen, 2018). The result can be aligned with the study which examined that the interest of multinational enterprises (MNE's) reduces because corruption creates substantial cost for the foreign investors (Uhlenbruck, Rodriguez, Doh and Eden,2006).

Favourable tax policies have positive and significant impact in the JV to Both model and positive but insignificant impact in the WOS to Both model. This signifies that more is the tax burden more is the preference for JV as the mode of entry. The study by (Murthy and Bhasin, 2013) showed that foreign investment inflows were negatively influenced by tax burden and treaties. Logistic cost has negative but significant impact on entry mode choice. The transaction cost advantages impact the international ownership strategy of the firm. Adverse home conditions have positive and significant impact on the WOS to Both model which indicates the

impact of home country factors on choice of the entry mode decisions which includes the domestic market conditions and domestic competitive conditions of the home country. Currency exchange rate has negative but significant on the WOS to Both model which indicates that depreciation of a currency can cause foreign firms to purchase assets and technology in the host country at a lesser rate which increases the inflow of FDI and can opt both modes simultaneously. Easy registration of property and land has negative and insignificant impact on the international ownership strategy of the firm. The findings can be supported with the study on CEE countries by (Hilber and Voicu, 2010; Raluca and Alecsandru, 2012) stating that there is a significant contribution of location, market size and firm size determinants. Hence, H33 hypotheis is accepted, which states that location specific factors have significant impact on selecting a specific FDI mode for foreign entry.

Figure 7.1.7 in the annexure shows the comparison between invested FDI amount from July 2007 to December 2017. From the figures (7.1.1-7.1.6), it can be concluded that out of 102 respondents 37.3% respondents believe that raw material is an important determinant to be considered as resource reserves allow the selection of the location for the investment by the various manufacturing firms. 32.4% believe that investment incentives are extremely important to attract FDI.18.6% believe that cheap labour is extremely important as the study suggests that foreign investors whose manufacturing was labour intensive looked for competitive advantage in terms of cost of labour. 41.2% believe that political stability is extremely important and political conflict affects the foreign investment inflows in host countries. 25.5% of the respondents. Macro-economic growth significantly contributes towards the FDI inflows into host country. From figures 7.1.7, it can be analysed that 41.2% of the respondents invested in between USD 5-10 million, 18.6% invested between USD 10-15 million and 40.2% invested greater than USD 15 million. From figures(7.2.1-7.2.10), the

post investment experience can be examined and it can be concluded that 7.8% respondents were extremely satisfied with macroeconomic stability, 11.8% respondents were extremely satisfied with time taken for necessary approval, 12.7% respondents were extremely satisfied with business ethics of the host country, 11.8% respondents were extremely satisfied with ease of tapping the host country, 9.8% respondents were extremely satisfied with adjustment with the marketing and management practices, 8.8% respondents were extremely satisfied with labour law of the host country, 10.8% respondents were extremely satisfied with work culture integration, 8.8% respondents were extremely satisfied with quality of manpower and 11.8% respondents were extremely satisfied with developing networks in the host country.

5.2 Recommendations

To make an attractive policy for inflow of foreign direct investment and favourable investment climate, the national policymakers should have common goals. Some of the main obstacles for FDI inflows into the host countries are corruption, political risk, restrictive financial freedom, poor and inefficient governance in state-owned enterprises. Various models including eclectic paradigm, Uppsala model, institutional approaches and transaction cost analysis were reviewed. The size of a firm is recognized as a significant source for strategic advantage. Firms with legislative connections can better raise capital by seeking potential partner. WOS and acquisitions increase the survival possibility of the subsidiary. Organizations opting for Greenfield investment strategies decide to take aspects of their corporate culture, tacit and explicit knowledge and physical property to a host economy during their investment. In order to enhance FDI inflow, the host countries should adopt new reforms in terms of the incentives and strengthening of the skilled labour force.

A better monetary and fiscal policy framework is required for reallocation of resources and improving financial conditions so that foreign investors can obtain cost competitiveness. The huge taxes are eroding business and distorting economic choices which are effecting the investments. The future investments will depend upon the interaction as well as productivity amongst domestic as well as international firms. The FDI inflow into host country for doing business will enhance the presence of transparent legislation. The physical infrastructure and various microeconomic reforms are required for pushing FDI sector because poor infrastructure affects the productivity of the economy and thus GDP. Countries can exploit their competitive advantage, improve their judicial procedures and sectoral investment regulations like formulation of marketing strategy and taxation issues for better FDI inflow. The productivity, preferential trade agreements, investment incentives, bilateral investment treaties, business linkages and introduction of new technologies and know-how, tax advantage, labour cost, patent protection and quality should be considered for raising the FDI inflow into global markets. Foreign Investment Implementation Authority (FIIA) fixes the time frame for investment related approvals both at the State and Central levels.

Legal protections for currency transfer, expropriation of property and convertibility restrictions and transparency in dealing with public agencies can to lead to increased investment and growth of the economy. MNCs which are involved in efficiency-seeking FDI would give more importance to investment climate and speed of obtaining approvals. Political, economic, and social commitment on the part of government is required. Infrastructure and facilities for electricity supply should be upgraded. Government should have an understanding of investor motivations for unlocking the benefits of foreign direct investment for local economies and that every foreign direct investment brings its own set of potential challenges and rewards. Firms can ensure of

channel partners, slight increase in profit margin may help a small player. Technical support should be upgraded from the side of the government so that there can be more of machinery skill enhancement. There are challenges due to scarcity of financial support, lack of raw materials, close vicinity of industrial sites etc.

The objective 3 is accomplished by publishing 4 case studies through in-depth interviews of the owners of the firms. The case studies are written to compare and contrast the challenges and determinants of using exports, joint venture and wholly owned subsidiary as the entry modes into various host countries. The motive of writing case studies was to understand the relevance of the entry modes to the select manufacturing firms of India. Case 1 and Case 2 are export oriented cases in which firms are using export as an entry mode for expanding their operations into various foreign locations. The determinants affecting the choice of this mode can be compared with JV (case 3) and WOS (case 4). In first two cases, strategies of firms for international operations are discussed using exports as the mode of entry. This mode is less risk oriented and helps to gain the share in global market with low investment cost.

The case study discusses about the opportunities and challenges of sports good industry from developing country (India) and throws light on the promotion methods of firms through participation in the international sports events. Although entry barriers are low yet challenges like less technical support from the government for development of labour, machinery and for skill development is highlighted in the case. Different socio- economic factors affect the demand in the market for this industry. In case 3, determinants like huge market size, greater political stability, stable economic environment and developed infrastructure were identified for opting WOS as an entry mode in Vietnam. Whereas in case 4, complex legal system, stringent labour laws,

greater investment in R & D were identified as the determinants for opting the JV as an entry mode in Sri Lanka.

5.3 Conclusion

The ownership pattern of Indian investments has changed over time. As compared to 1980−99, the contribution of WOSs in Indian investments was enhanced up to 80.5 per cent during 2000−14, while the share of joint venture decreased to less than 20 per cent. The relative significance of WOS relative to JV has been changing for different host countries. The choice of right level of channel integration can create the difference between success as well as failure in the foreign market. The decision of channel integration of the firm may choose to either increase or decrease its ownership and control over the distribution channel. Uncertainty in the economic conditions leads to the choice of joint by the foreign firms. Even if there is cultural proximity, but pervasive corruption, firms may enter via wholly owned subsidiaries.

Those industries with a high level of competition seek full control by opting WOS. The differences in language, geographic distance, religion, political systems, culture, economic development and education affect the FDI decisions. The incentives are provided for the establishment of cement industry like in Industrial City of Abu Dhabi (ICAD) for construction materials, plastics assembly and fibreglass with advantages of 0% tax, repatriation of profits and capital and its presence near Airport makes it a suitable location for investment for cement industry and choice of WOS as a preferred mode for foreign entry. The low-cost natural gas, protection for intellectual property with proper regulatory system help to choose location for establishing chemical firms. But high government interventionism and unstable political situation like in Tunisia for sectors like hydrocarbons, pharmaceuticals are reasons of opting JV as a mode of entry. The labour market remains relatively flexible and the government of Mauritius has plans to enhance the use of renewable sources of energy from 22% to 35% by 2025. There can be 100% foreign owned with no minimum capital

requirement. It aims to do this through wind farms, solar energy, biomass and waste-to-energy projects, which helps to attract the investments related to the electrical sector. The sector of architecture, engineering as well as civil planning in Saudi partner and the foreign partner's equity cannot be more than 75% of the total investment which is makes JV as the preferred mode of entry. Whereas in Netherlands and Cyprus, having stable political environment and subsidies are in the form of tax credits disbursed direct cash payments or tax rebates. So, WOS is the preferred mode of entry. The high domestic lending rates, inconsistent monetary policy, stringent labour laws, high labour cost, shortage of skilled labour and high intervention of government for controlling agriculture markets have an impact on investment of food processing industries.

A large population, rising middle class, transformation is towards liberal market policies, market size, high purchasing power and liking for jewellery makes the investment attractive in the industry of gems and jewellery by opting WOS as the preferred mode of entry. The volatile exchange rate, high inflation history makes it risky to invest in the iron and steel industry but strong IPR protection and growth of manufacturing firms in aviation, vehicle and equipment manufacturing at various location makes the location attractive for investment. The cutting of leather is highly labour intensive. So, it is difficult to automate the manufacturing of the product and favour JV as the preferred mode of entry. The labour productivity of India in the leather segment has been dismal due to limited automation in the industry as 80% of the work is done manually. The ease to acquire raw material mainly gives the competitive edge for decision of entry into Sri Lanka is supported by the plantation of rubber trees, which are a source of raw material for the rubber industry. Similarly, various firms have set up the manufacturing facilities like Mauritius and Singapore have good cultivation of sugarcane, which is the raw material for sugar industry, ensuring

the long-term viability of the sugar industry, and promoted manufacturing of alternative goods related to cane production for the production of ethanol and generation of electricity from bagasse and coal.

Ethiopia, Austria and Netherlands rapidly are becoming an attractive destination for textile manufacturing because of competitive labour costs, low energy costs and various government incentives like tax incentives, loan guarantees, grants and preferential loans are offered. The investment into the vehicle and equipment manufacturing by opting WOS is supported by high availability of engineers, large number of part supplier, low cost of labour, stable cost of power and reduction of tariff. Various models including eclectic paradigm, Uppsala model, institutional approaches and transaction cost analysis were reviewed. The size of a firm is recognized as a significant source for strategic advantage. The location specific factors cheap labour, size of the host country, adaption, infrastructure and inflation rate difference in the home and host country have positive and significant impact on choice of the entry mode. Firms with legislative connections are better in raising capital, seeking potential partner. WOS and acquisitions increase the survival possibility of the subsidiary. Organizations opting for Greenfield investment strategies decide to take aspects of their corporate culture, tacit and explicit knowledge and physical property to a host economy during their investment.

The location specific factors cheap labour, size of the host country, adaption, infrastructure and inflation rate difference in the home and host country have positive and significant impact on choice of the entry mode. The industry specific factors like mandatory investment and R&D intensity of the industry have positive and significant contribution to both JV and WOS entry modes. The firm specific factors like risk appetite, service quality, better knowledge of consumer taste, perceived ability to handle global expansion, investment in the

advanced technology have a positive and significant contribution to the international ownership strategy of the firm. The overseas investment is for transfer of technology and skills, better research, better access to global networks and markets. It can be said as a corporate strategy for accessing the raw material available in the host country and enhancing the brand image. Societal coordination is linked with relatively slower institutional adjustment and leads to higher prevalence of misalignments which may drive decision for OFDI. Foreign knowledge is adjusted for business strategies and based on local knowledge business strategies are used for OFDI. Natural resources are necessary for foreign direct investment and countries which have lower tax rate attract more foreign direct investment. The need to protect the quality of production, creates a need to have high level of control and induce firms to undertake production in foreign location rather than other modes. The firms which have the competitive edge over others in generating customer service will use entry modes having higher levels of control for keeping up the satisfaction of the customer.

5.4 Limitations

Like most of the other studies, this study also has some limitations such as constrains of research design, constrains of time and resources. The understanding and findings may have been constrained by the vision of the researcher although review of literature helped to integrate various dimensions for measuring the determinants affecting FDI and the preferred modes of entry.

A) Generalizability of the Sample:

Our population is of only 432 firms which are defined by Indian firms in manufacturing sector who have either JV or WOS in the year of July 2007 to Dec 2017. But the number of respondents who participated in the survey were 102, corresponding participation in the survey by email and LinkedIn. Due to

time, money and manpower constraints, the sample size has been restricted considering investments greater than or equal to 5 million USD.

B) Biasness in responses:

Probably, it may be possible that respondents would be biased in responding to specific questions. It might be because of prejudice consideration of the questions or lack of interest.

C) Permission for reproducing the manuscript:

The permission for publishing the manuscript of cases was a constrain of this study, because of which only cases from specific firms could be published.

5.5 Scope for Further Research

A) Expanding the Sample of Firms

Although the present study highlights the significance of Industry, Firm and Location specific determinants but the future research work can be adopted to study different industries by directing efforts towards incorporating additional entry modes like licensing, franchising and export by Indian MNCs abroad for analyzing their significant determinants. The firms of Jute, vegetable oil and tobacco can be analyzed which have invested less than $5million USD, because there are no investments seen greater than this amount during the time period of July 2007 to December 2017. The FDI across India can be bifurcated for quantitative analysis sector wise to develop more insights and examine relationship of their entry mode with predictor variable.

B) Decomposition of determinants influencing Horizontal and Vertical FDI

In this study, the relationship between the modes of entry and predictor variables is examined by using the industry, firm and location specific

determinants. Future studies can further bifurcate the determinants which influence the choice of entry mode on the basis of Horizontal FDI and Vertical FDI.

CHAPTER-6

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CHAPTER-7

ANNEXURE

7.1 Analysing the most important reasons for opting FDI

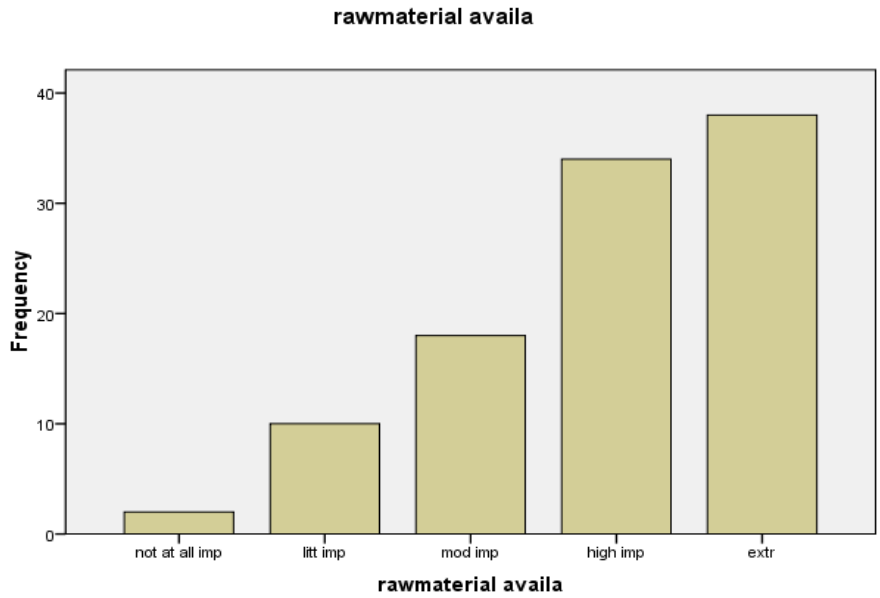

Figure 7.1.1 – Preference towards availability of rawmaterial from July 2007 to December 2017 (source- Authors compilation**)**

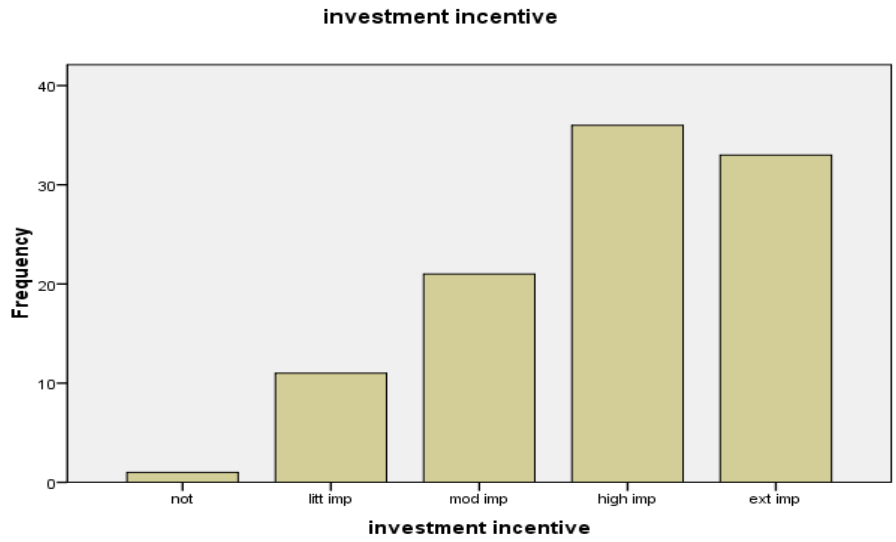

Figure 7.1.2 – Preference towards investment incentive from July 2007 to December 2017 (source- Authors compilation)

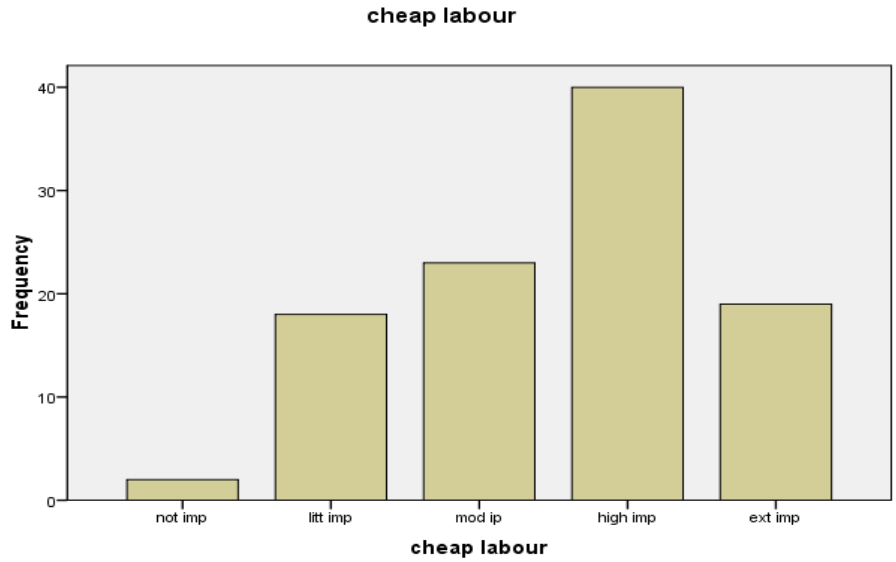

Figure 7.1.3 – Preference towards cheap labour in the host country from July 2007 to December 2017 (source- Authors compilation**)**

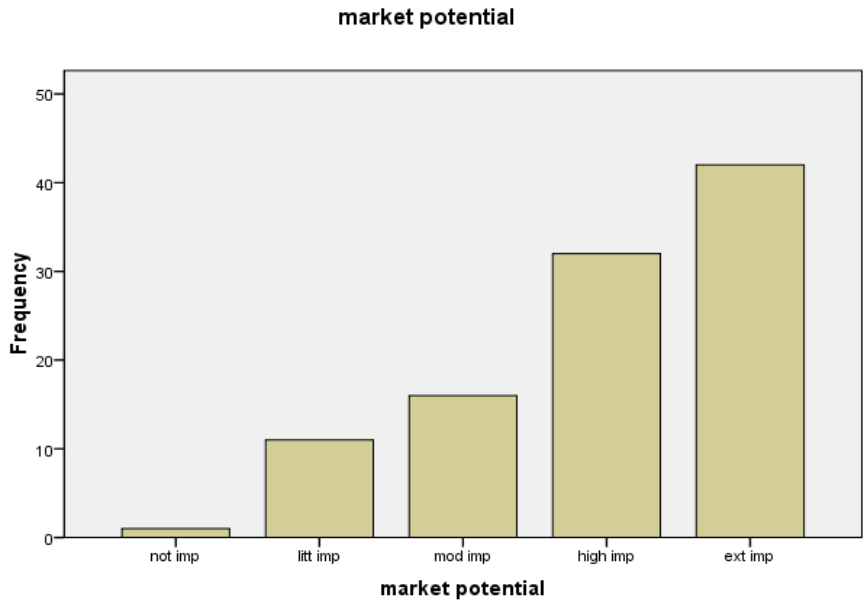

Figure 7.1.4 – Preference towards market potential of the host country from July 2007 to December 2017 (source- Authors compilation**)**

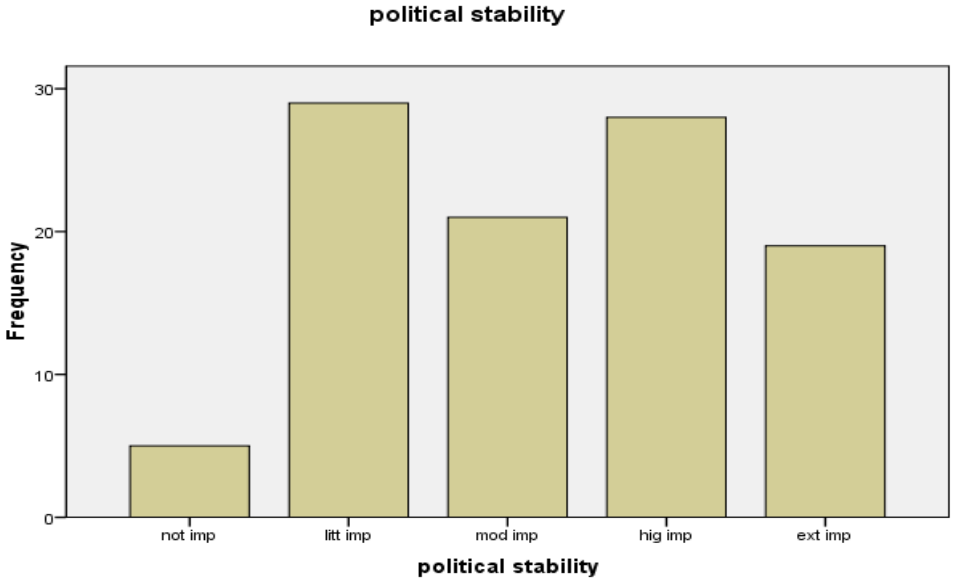

Figure 7.1.5 – Preference towards political stability of the host country from July 2007 to December 2017 (source- Authors compilation**)**

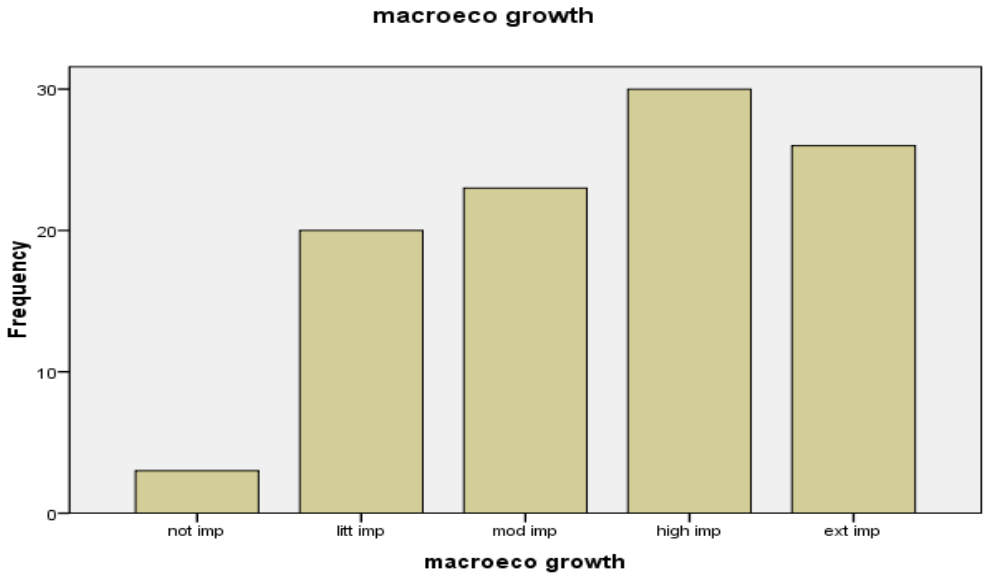

Figure 7.1.6 – Preference towards macroeconomic growth of the host country from July 2007 to December 2017 (source- Authors compilation**)**

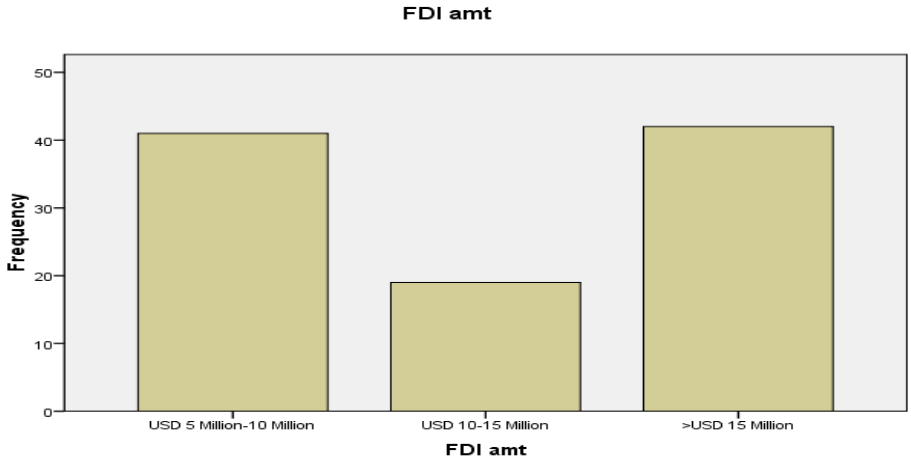

Figure 7.1.7 – Comparison b/w invested FDI amount from July 2007 to December 2017 (source- Authors compilation**)**

7.2 Post Experience Analysis

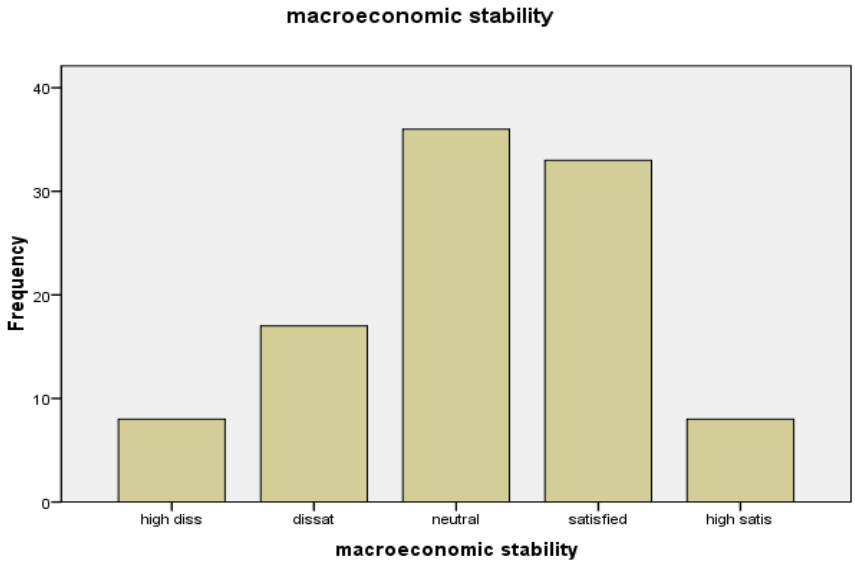

Figure 7.2.1 –Post investment satisfaction of the Indian Manufacturing firms towards macroeconomic growth of the host countries from July 2007 to December 2017 (source- Authors compilation**)**

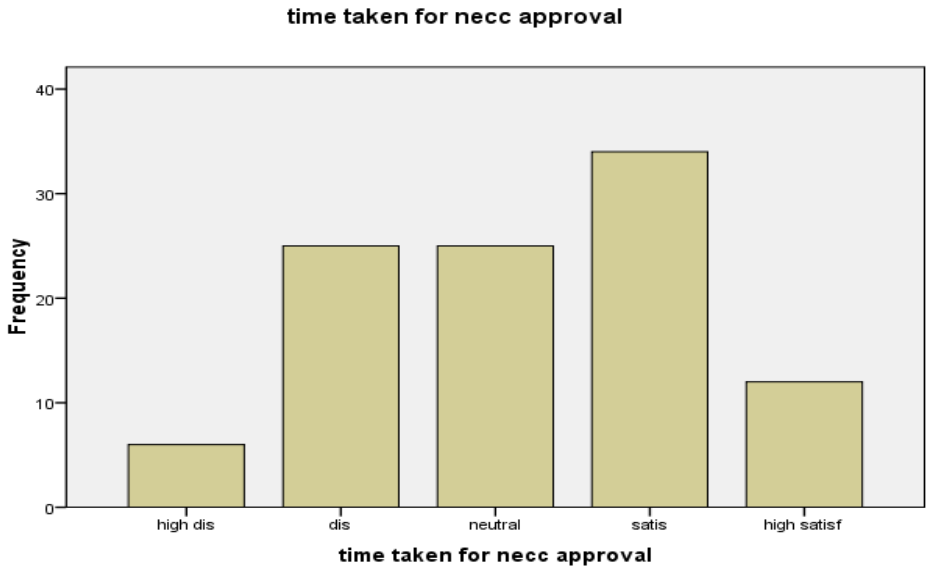

Figure 7.2.2 –Post investment satisfaction of the Indian Manufacturing firms towards time taken for necessary approval in host countries from July 2007 to December 2017 (Source-Authors compilation**)**

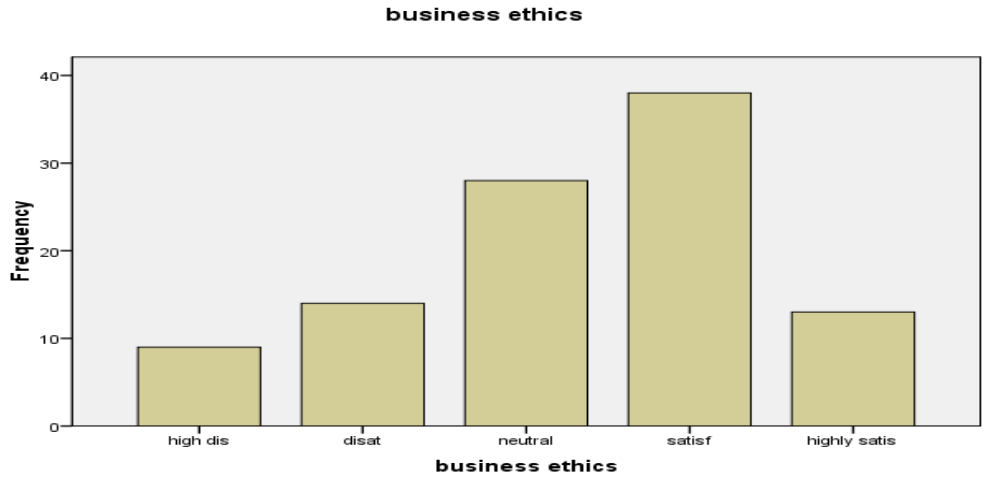

Figure 7.2.3–Post investment satisfaction of the Indian Manufacturing firms towards business ethics in host countries from July 2007 to December 2017 (Source-Authors compilation**)**

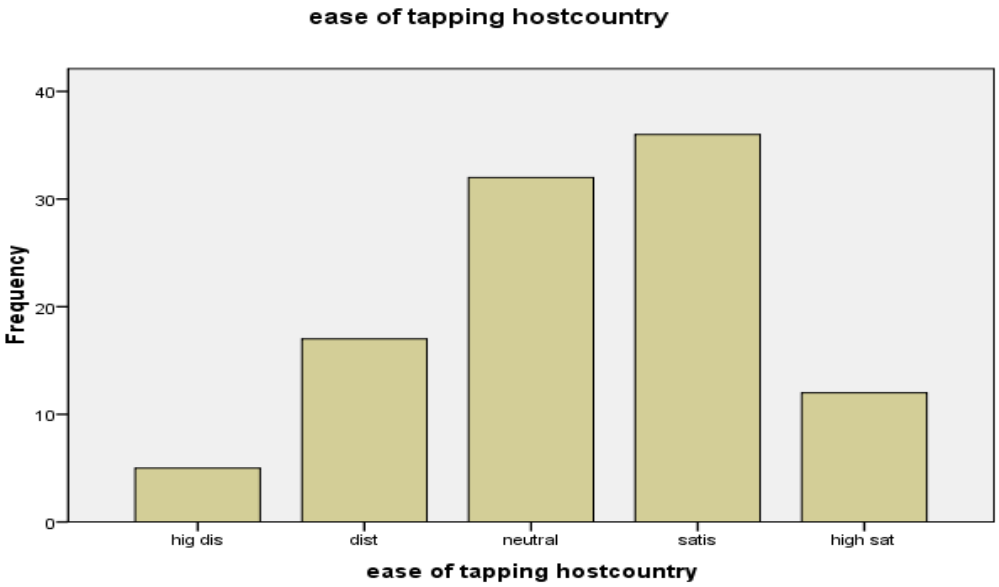

Figure 7.2.4 –Post investment satisfaction of the Indian Manufacturing firms towards ease of tapping the host countries from July 2007 to December 2017 (Source-Authors compilation**)**

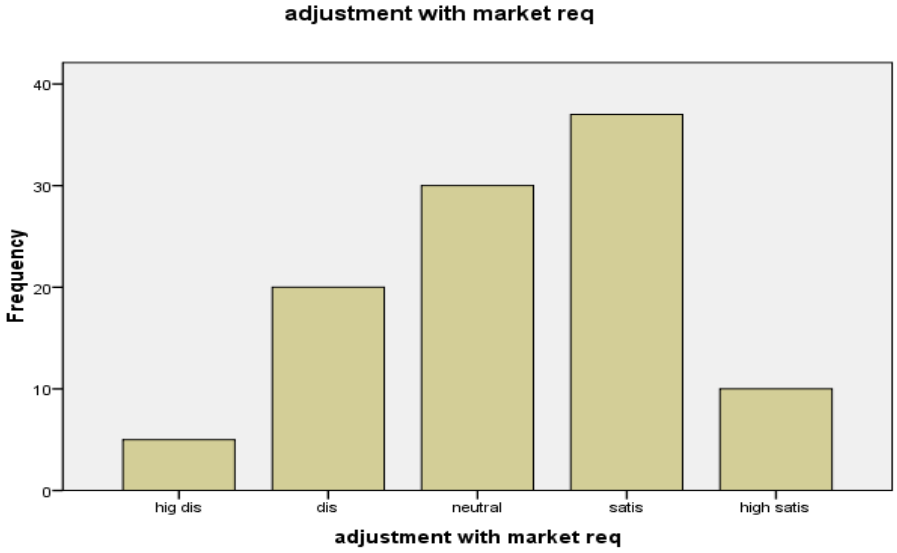

Figure 7.2.5 –Post investment satisfaction of the Indian Manufacturing firms towards adjustment to market requirnments in host countries from July 2007 to December 2017 (Source-Authors compilation**)**

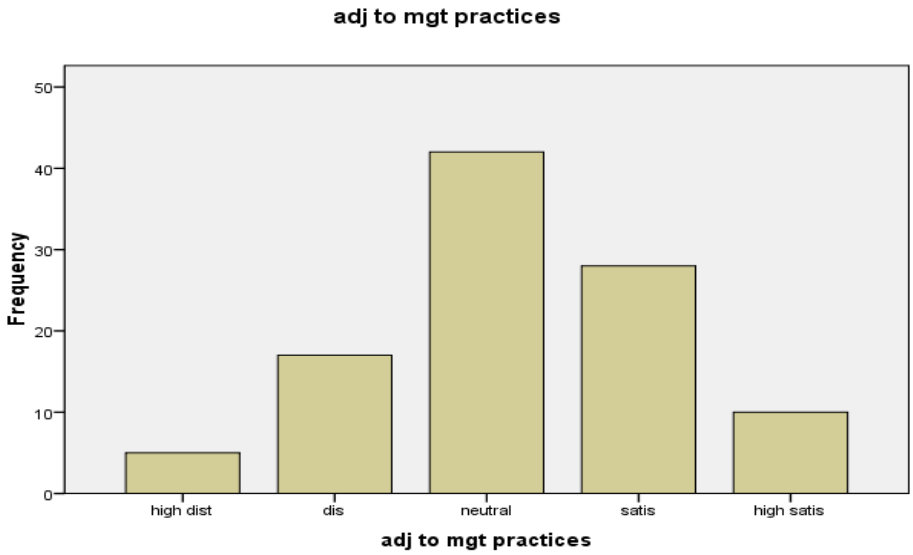

Figure 7.2.6 –Post investment satisfaction of the Indian Manufacturing firms towards adjustment to management practices in host countries from July 2007 to December 2017 (Source-Authors compilation**)**

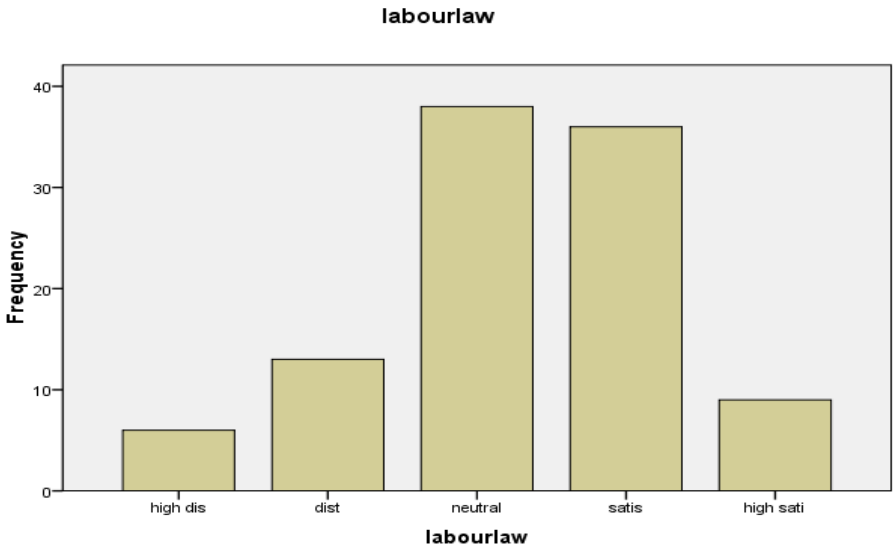

Figure 7.2.7 –Post investment satisfaction of the Indian Manufacturing firms towards labour law in host countries from July 2007 to December 2017 (Source-Authors compilation**)**

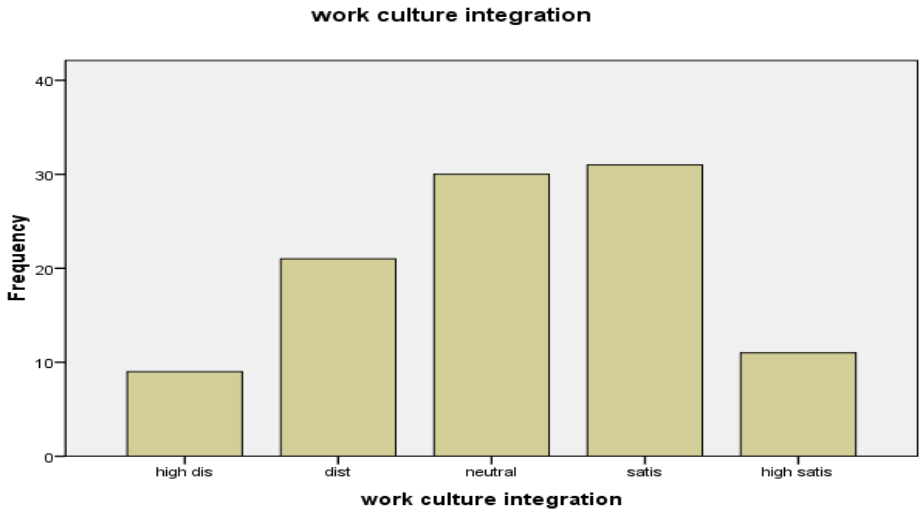

Figure 7.2.8 –Post investment satisfaction of the Indian Manufacturing firms towards work culture integeration in host countries from July 2007 to December 2017 (Source-Authors compilation**)**

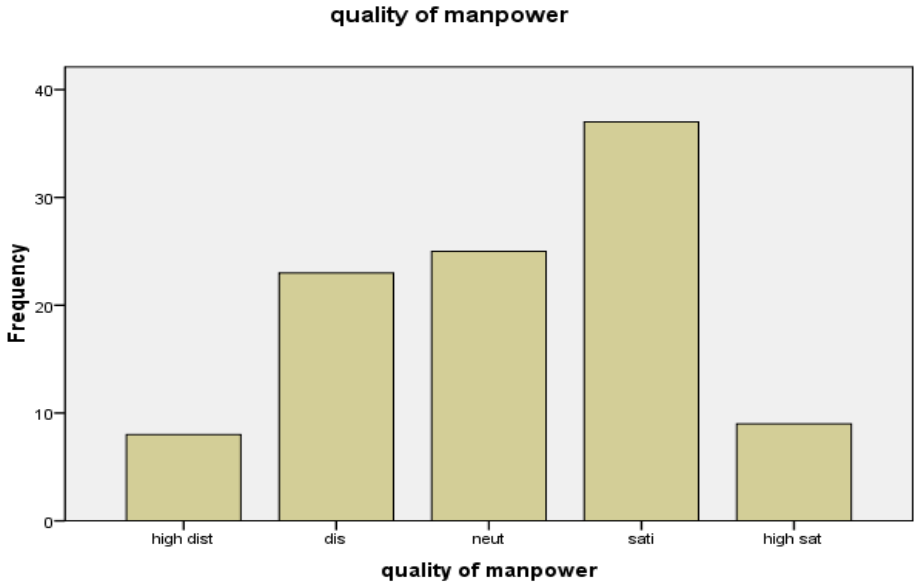

Figure 7.2.9 –Post investment satisfaction of the Indian Manufacturing firms towards quality of manpower in host countries from July 2007 to December 2017 (Source-Authors compilation**)**

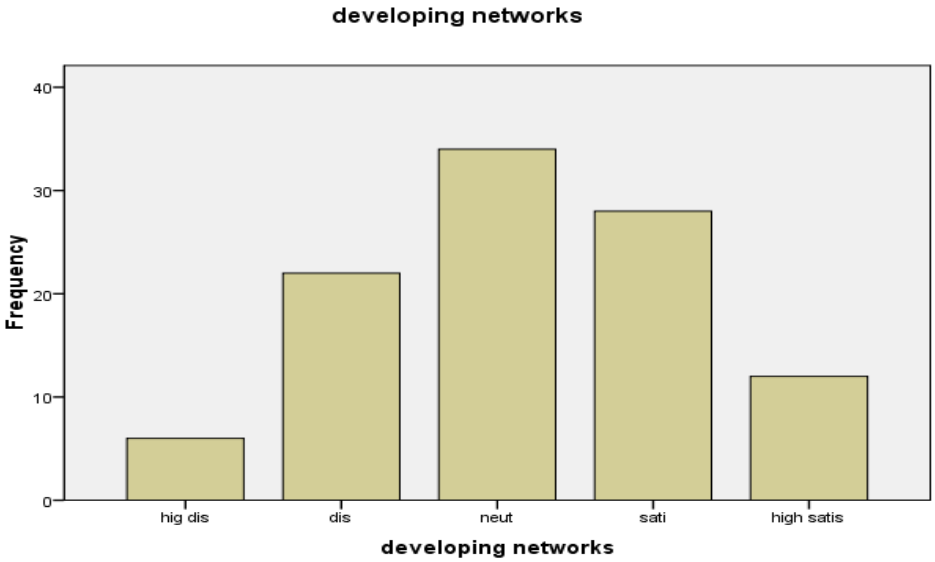

Figure 7.2.10 –Post investment satisfaction of the Indian Manufacturing firms towards developing networks in host countries from July 2007 to December 2017 (Source-Authors compilation**)**

7.3 Questionnare

Ph.D Questionnare on FDI as a Mode of Foreign Entry Adopted by Select Manufacturing Firms of India.

I am a student of Ph.D from Mittal School of Business at Lovely Professional University. We are conducting a study on FDI as a Mode of Foreign Entry Adopted by Select Manufacturing Firms of India. In this regard your assistance for filling up the questionnaire is required. I assure you that your responses will be used for academic purpose only and privacy of your responses will be maintained. Thank You in advance for your co-operation.

1. **Email address** *

_____

Q1 What is the legal status of your organization?(Please tick the most appropriate one) *
Mark only one oval.

- ◯ . Sole proprietorship
- ◯ Partnership
- ◯ Limited Liability(PVT. LTD)
- ◯ Limited Liability(LTD)
- ◯ Co-operative
- ◯ Other

Q2 Which industry group in manufacturing sector you belong to? (Please tick the most appropriate one) *

Mark only one oval.

- ◯ Cement
- ◯ Chemical
- ◯ .Electrical
- ◯ Engineering
- ◯ Food processing and manufacturing
- ◯ Gems and jewellery
- ◯ Iron and Steel
- ◯ Jute
- ◯ Leather and leather products
- ◯ Metal and Metal products
- ◯ Paper and paper products
- ◯ Rubber and Rubber products
- ◯ Sugar
- ◯ Textile
- ◯ Tobacco and Tobacco products
- ◯ Vegetable oil and Vanaspati
- ◯ Vechicle and trans equip
- ◯ Miscellaneous

+

Q3 Rate the importance of following determinants which indicates most important reason for opting FDI mode *

Mark only one oval per row.

	Not at all Important	Little Important	Moderately Important	Highly Important	Extremely Important
Raw material availability	◯	◯	◯	◯	◯
Investment incentives	◯	◯	◯	◯	◯
Cheap labour	◯	◯	◯	◯	◯
Market Potential	◯	◯	◯	◯	◯
. Political Stability	◯	◯	◯	◯	◯
Growth (macroeconomic performance) of the economy	◯	◯	◯	◯	◯

Q 4 Which method have you opted for investment abroad? *

Mark only one oval.

- ◯ Joint Venture
- ◯ Wholly Owned Subsidiary
- ◯ Both

Q5 What is the total FDI made by your organization till date? *
Mark only one oval.

- ◯ **<USD 5 Millionn**
- ◯ **USD 5 Million-10 Million**
- ◯ **USD 10-15 Million**
- ◯ **>USD 15 Million**

Q6 Rate the extent to which you agree that the following Industry specific determinants are considered by you while investing in the host country *
Mark only one oval per row.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Mandatory investment level	◯	◯	◯	◯	◯
Market barrier	◯	◯	◯	◯	◯
Easy access to the natural resources.	◯	◯	◯	◯	◯
Degree of internationalization	◯	◯	◯	◯	◯
R&D intensity of the industry	◯	◯	◯	◯	◯
Competition intensity of the industry	◯	◯	◯	◯	◯

Q7 Rate the importance of the following Firm specific factors of your organization which contributes in investing /making outward foreign direct investments *
Mark only one oval per row.

	Not at all important	Little important	Moderately important	Highly important	Extremely important
Increase appetite to take risk	◯	◯	◯	◯	◯
Production process strength	◯	◯	◯	◯	◯
Firm service quality	◯	◯	◯	◯	◯
Economies of scale	◯	◯	◯	◯	◯
Firms brand image and trade mark	◯	◯	◯	◯	◯
Firms global marketing channels	◯	◯	◯	◯	◯
Changing competitive prices	◯	◯	◯	◯	◯
Better knowledge of consumer taste	◯	◯	◯	◯	◯
Ability to adapt itself to different markets	◯	◯	◯	◯	◯
Perceived ability to handle global expansion	◯	◯	◯	◯	◯
Firms R&D strategy	◯	◯	◯	◯	◯
Sound liquidity position	◯	◯	◯	◯	◯
IIntensive investment in advanced technology	◯	◯	◯	◯	◯
Quality of company product	◯	◯	◯	◯	◯

Large firm size in terms of total sales or total no of employees					
Expertise in managing large and complex markets					

Q8 Rate the importance of the following Location specific factors your organization considered while venturing abroad *

Mark only one oval per row.

	Not at all important	Little important	Moderately important	Highly important	Extremely important
Cheap and competitive semi/unskilled labour					
Size of host country market					
Culture in the host region influences company's foreign commitment					
High logistic cost of exports from home country					
Adaptation to local taste and resources					
Access to third country market(capitalising upon preferential /free trade agreement)					
Supportive physical and institutional infrastructure in host country					
Promote long term strategic objectives					
Favourable tax regulation					
Strong legal and property rights in host country					
Adverse business conditions in home country					
Inflation rate differential b/w home and host country					
Host country currency stability					
Corruption in the host country					
government policy toward inward direct investment in host region influences our company's foreign commitment					
Access to local brands in host country region influences our company foreign commitment					
Low political risk in host country influences our company foreign					

commitment					
Easy registration of land properties in host region influences our company foreign commitment					
Interest rate uncertainty					

Q9 Rate your satisfaction of Post investment experience in the host country *

Mark only one oval per row.

	Highly dissatisfied	Dissatisfied	Neutral	Satisfied	Highly satisfied
Macroeconomic stability					
Time taken to receive necessary approvals					
Business ethics & transparency					
Ease of tapping the host country					
Adjusting with market requirements					
Adjustment to management practices					
Labour laws/flexibility					
Work culture integration					
Quality of manpower					
Developing networks and gains					